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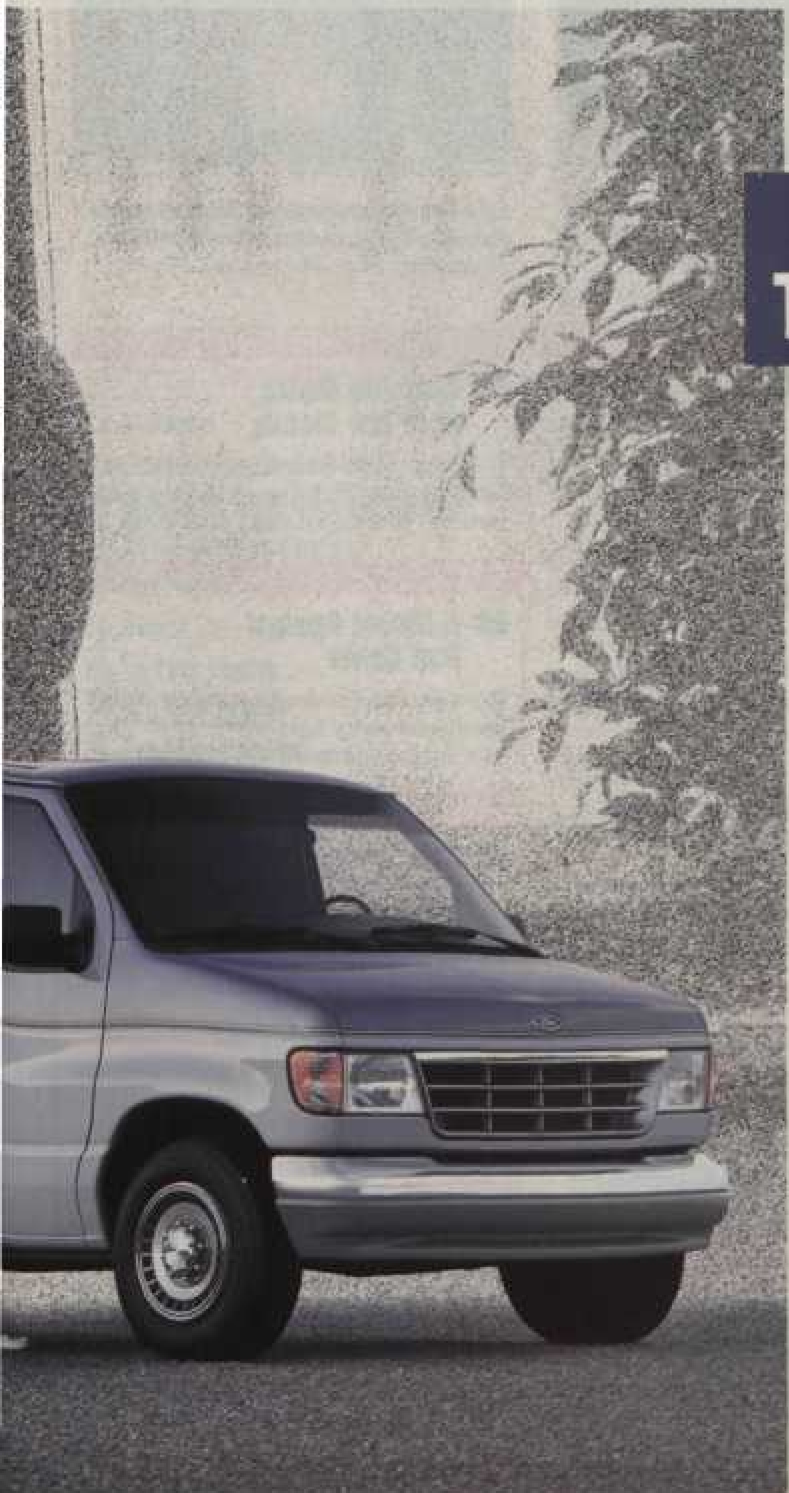

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PHOTO: ©MICHAEL PATRICK—FOLIO INC.

West Virginia Democrat *Robert Byrd's controversial way of wielding Senate power is cited by some as the kind of congressional behavior that could be halted by limiting lawmakers' terms. Cover Story, Page 22.*

PHOTO: ©RICK FRIEDMAN—BLACK STAR

Environmental manager *Al Karg searches for ways his firm can prevent pollution. Managing, Page 53.*

VOL. 79, NO. 11

Editor's Note

PHOTO: ©ROBERT HOLMGREN

Sharper Image *founder Richard Thalheimer measures the public's moods. Making It, Page 16.*

DEPARTMENTS

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An Issue Fueled By An Uproar

PHOTO: ©TERRY ASHE—GAMMA LIAISON

We didn't plan it this way, but this month's cover story on limiting terms of members of Congress and state legislators (Page 22) appears amid an uproar that works in favor of those advocating that fundamental reform.

This uproar began with the disclosure that members of the U.S. House of Representatives had bounced 8,331 checks in 12 months at the bank maintained exclusively for them on Capitol Hill. The bank covered the overdrafts without penalty or interest. This revelation was followed by the report that 250 current and former House members are delinquent on more than $300,000 owed to the House restaurant, another facility maintained for the convenience of members.

Supporters of term limits say the revelations offer dramatic support for their argument that the perks, privileges, and power of career lawmakers insulate them from the problems and worries of the real world.

Many House members argue that voters will eventually see the rubber-check issue as minor. Nevertheless, political observers agree that the bounced checks have added a new and volatile dimension to the term-limit debate.

Our cover story gives you both sides of the term-limit issue, which is fast becoming one of the hottest of the decade.

There's another dimension to our cover article—an opportunity for you to register your views by responding to the "Where I Stand" survey on term limits (Page 84). We'll forward the results to Congress and the administration.

Reminder: Nov. 30 is the deadline for entries in the 1992 Blue Chip Enterprise Initiative, which spotlights small businesses that have been especially effective in overcoming problems that threatened their survival. A kit containing information and an entry form is available by calling 1-800-AWARD-92.

Robert T. Gray

Robert T. Gray
Editor

Letters

Getting Up To Speed Where It Counts

Your September cover story, "A New Era In Road Policy," was thoughtful, well-written, and right on the mark. Let's hope it speeds up the process of getting the strong national highway program the country needs.

Lester P. Lamm
President
Highway Users Federation
Washington, D.C.

Take The Pressure Off Roads

In most urban areas, despite the huge amount of money and land sacrificed for roads, the roads are not doing a particularly good job of moving people and goods about, especially at peak hours.

In auto-dominated areas such as Orange County, Calif., already half of the available land is being used in some way for cars, for parking lots, freeways, and so on.

If we increase the amount used to three-quarters or seven-eighths, are we going to end up with a place worth living in or doing business in? I don't believe so.

You give little space to mass transit and no mention at all to railroads that move goods more fuel-efficiently, often at greater maximum speed, more safely, and without the huge government subsidies for roads.

I think you owe your readers a more balanced view of the situation.

P.V. Wilcox-Baker
San Francisco

Congress Is Hogging Road Funds

Your story makes a motorist shiver. Since government has never been successful in running a business, we could expect it to foul up the transportation industry, and it has.

A nation of motorists who have expressed their willingness to pay for the roads must watch their politicians use such monies paid so that [deficit-reduction] deadlines may be met and votes "bought" with pork-barrel projects. Roads are fixed that aren't broken. Motorists are asked to finance mass-transit riders who refuse to pay full fare.

W.M. Buescher
Pigeon Forge, Tenn.

Listening To The Wrong People

I can't believe you would base an article on our crumbling infrastructure on information received from government and associations that have a vital interest in more spending on the infrastructure.

We will never have an efficient highway-construction program as long as it is union-controlled.

Preston E. Hiestand
Chairman of the Board
Handcraft Co., Inc.
Princeton, Wis.

Still Likes Ike

Too bad President Eisenhower isn't still with us. I think he understood well the fiercely egalitarian nature of Americans when it comes to travel and developing open roads in a national transportation system.

The real cost of toll roads rests on those who do not use them as well as those who do.

We pay the cost in the form of increased travel times and rougher travel conditions on the remaining [nontoll] roads.

Given an honest chance, in order to keep our roads open, voters would probably pay huge state and federal gas-tax increases to develop, maintain, and subsidize a mix of road, rail, and mass-transit systems.

Rich Buckley
Buckley & Associates Real Estate
Livermore, Calif.

Trim The Subsidies

The pending renewal of the Surface Transportation Act offers an ideal opportunity to correct extremely wasteful policies.

Our energy problems are directly caused by past overemphasis on highway and air modes while deliberately downgrading our energy-efficient railroad and mass-transit systems.

Each year, we subsidize road users by $300 billion and airlines by $7 billion. The road-user subsidy is increased by costs of police and fire protection, snow removal, lighting, signs, and signals. At least one-third of all police work is traffic control.

Roads pay no real-estate taxes on the vast swatches that they occupy. We have paved the equivalent of all New England

with roads and airport runways. While America's railroads bear the burden of $660 million in annual right-of-way taxes, trucks and buses pay nothing.

Airlines get a nearly free air-traffic-control system, plus feeder-route subsidies, plus airports built on tax-exempt land with tax-exempt bonds. Landing fees don't cover the full cost of snow removal or the cost of access roads and parking, which take square miles of tax-free land near airports.

To undo the damage, we must develop a rail-based transportation system that will enable us to become energy-independent through use of domestic coal. Our supply of this fuel, which can be burned cleanly to generate power for electric trains and trolleys, is good for hundreds of years.

Our energy independence would be funded through a gasoline tax that would increase to the levels in Europe, where they don't coddle highway users and destroy their rail lines.

William R. Wright
Cranford, N.J.

A Few Nuggets On Brokers' Rates

Enjoyed Peter Weaver's item "Broker's Margin Accounts: Quick Money, Low Interest" [It's Your Money, September]. I always mine a few good nuggets from his spadework. I just wanted to point out an often-overlooked fact: You can also leverage U.S. government securities and Treasury bonds and get a much lower interest rate—a repurchase agreement, or "repo rate."

Usually, it is 1 to 2 percent lower than the so-called broker's loan rate used for stocks. Yet most brokerages will not quote the repo rate and will only loan at that rate if a Treasury/government bond investor with clout insists.

Jay Goldinger
Capital Insight
Beverly Hills, Calif.

Why Workers' Comp Costs Are Escalating

Benefits Update in the October issue says "experts" attribute the rising costs of workers' compensation to "medical inflation and increases in workplace injuries and illnesses."

Ridiculous! Fraud is the primary reason for the astronomical increase cited—from $26.5 billion in 1984 to $53 billion in 1990. Boiler-room legal operations that work in conjunction with unethical, greedy medical professionals pump out prodigious amounts of new "injury claims" for such life-threatening ailments as insomnia, stress, and muscle twinges.

Workers' compensation was designed to assist workers who suffer a work-related injury. It should provide them with medical treatment, rehabilitation, and retraining. It was not designed to pay lifetime disability to people who can't sleep at night or feel job stress.

Robert E. Knapp
Vice President-Operations
Rainbow Magnetics, Inc.
Santa Ana, Calif.

How About A "VooDoo Editor" Doll?

I am writing to express my objection and disgust with the Attorney VooDoo Doll [Free-Spirited Enterprise, September].

My husband is an attorney with a civil-defense firm and hardly the fast-talking, money-grubbing shyster Ms. Miller's doll depicts.

I realize there are bad lawyers, just as there are bad doctors or bad teachers, but an item like this does a disservice to the countless honest, hard-working attorneys in this country who are there when we need them.

Patricia W. O'Connor
Buffalo, N.Y.

Features Too Good To Leave Out

In your recent article reviewing portable PCs ["Portable PCs: Power Up," September], I noticed a number of important features you chose to highlight on other computers but left out on the Tandy 3810. Most notable is the fact that the 3810 does come with an external VGA monitor port and with a port for an external full-sized keyboard. You also mentioned that the 3810 comes with DOS 4.01, when in fact it comes with DOS 5.0.

I understand that with limited space for your articles, it is hard to include all features of every computer. But I believe the features mentioned above are important enough to include in your review of this outstanding portable.

Gary Grishkevich
Groveport, Ohio

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

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BUSINESS MANAGER
Leonard I. Rippa

It was an unlikely alliance.

But when five state governments, two wildlife conservation groups and one energy company came together, 32 species of threatened wildfowl secured a brighter future.

The partnership called itself The Playa Lakes Joint Venture. Its mission, to enhance and protect the wetlands resource of the Playa Lakes region critical to wildlife.

Boosted by grants from private landowners, state wildlife agencies in Texas, Oklahoma, Kansas, New Mexico and Colorado,

Entrepreneur's Notebook

Operating With One Policy: Service With Honesty

By Lillian Galter

I hadn't really intended to start a business at all. In 1980, I had resigned as a sales representative for a computer-supply firm and was looking for another position, but my former customers tracked me down. They kept calling, often at dinner time, telling me they didn't care how I got the products to them, they still wanted to buy from me.

Looking at my husband, Alan, I said, "I think we have a potential business here." In July 1981, I began the business, and I named it Subon Data, Inc., after my daughters, Susan and Bonnie.

Subon sells customized continuous forms and letterheads; envelopes and labels; data-processing and word-processing supplies; printer ribbons, fonts, and printwheels; imaging and facsimile supplies; computer-care products; laser-printer supplies; workstation accessories; and power-protection devices. I am the middle person between the manufacturer and the client.

About 80 percent of my accounts went with me to Subon. What would lead customers to do this? I think it was because as a sales rep, I tried not to use a canned approach but to get to know what the customer really wanted. I decided that if that got customers to go to the trouble of tracking me down, then it was the way to run my company.

I believed that if I emphasized two things—service and honesty—my business would flourish.

I was right, but establishing the business wasn't easy. Although I had brought many clients with me to Subon, I needed many more to make the business prosper. Finding them was a daunting task. Ten years ago, women were scarce in the technical arena, and resistance to women was stiff. There were times when my knees knocked on sales calls. I could almost hear clients thinking, "OK, we know you're a small or female-owned business, but can you produce? Can you meet competition, deliver on time, and carry high-quality products?"

I had to be politely aggressive to overcome the potential customers' concerns. I told them that as a woman I would be like Avis—I would try harder. Guess who got the business!

Trying harder is easy to say, but it meant making the sale and delivering what the customer wanted and when—and being honest if I couldn't. It also meant listening to the customers and finding what they needed. Service was everything, and that kind of listening eventually got us into a niche of our own.

I tried to treat customers as I wanted to be treated. If Subon was unable to supply a product—even one that's unrelated—but I knew where it could be found, I sent the customer to that other supplier. When it came to pricing, I always looked at what percentage of profit I could live with, and I quoted the result. Sometimes it was lower than another manufacturer's direct-to-customer price, and the customer couldn't believe it. In that respect, I have always considered myself as a kind of "white knight" for my clients.

If I know I can't deliver on time, I would rather lose a sale than promise a date I can't meet. If I can promise partial delivery, I'll do that. But I never promise more than I can deliver.

Similarly, if Subon carries a product but it is on back-order, I refer the customer to another supplier who can get it quicker. I've never lost a customer because of that. In fact, I've gained the good will of many suppliers, who have referred their customers to me.

Subon has become a one-stop shop, showing the client ways to reduce costs by eliminating the need for multipart forms through redesign and innovative ideas. We're also willing to fill the small order that huge companies don't want—of course, the orders aren't small to us!

Subon customers range from small to large businesses. They include insurance companies, banks, newspapers, universities, defense contractors, pharmaceutical firms, ophthalmic clinics, and government agencies.

Word of mouth has been a strong marketing tool. As a result of supplying forms for an ophthalmic clinic in Philadelphia, a systems company in California that designs software packages for ophthalmology use referred us to ophthalmic clinics nationwide.

Annual sales have increased about 75 percent over the past few years. Achieving this has meant meeting the challenge of competing against larger computer-supply firms in a position to get big contracts by slashing prices and carrying a huge inventory. Our niche has been getting the required products more quickly, especially when the need was great.

Subon Data has grown by following three basic tenets:

- Be honest and don't bluff. The customer will see right through it. There's never a time when you can't say, "I honestly don't know, but I will find out and get right back to you."
- Don't promise what you may not be able to deliver.
- Stay abreast of everything in your field, especially trends and new products.

It's all part of honesty *always* being the best policy, and it's our business philosophy. NB

PHOTO: ©SCOTT WEINER

Lillian Galter: *Get to know what the customer really wants.*

Lillian Galter is president/CEO of Subon Data, Inc., of Richboro, Pa. In May, she was named Advocate of the Year by the Philadelphia chapter of the National Association of Women Business Owners. She prepared this account with Herb Drill, a frequent contributor to the Philadelphia Inquirer *and to* Business Philadelphia *magazine.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

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Managing Your Small Business

Pricing for profits, exporting for survival, and delivering speedier service.

By Bradford McKee

PROFITS

Impressive Volume, But Does It Make Money?

"When you start in a business," says Jane Phipps, "you tend to do anything for volume without thinking how it's going to affect the bottom line." Now Phipps and her husband, Bob Phipps, co-owners of Fresh From Texas, a San Antonio vegetable firm, know better. "If somebody asks us to do a new product," she says, "we figure out what our costs are."

Four years ago, the Phippses were growing and distributing alfalfa sprouts and mung beans, and the markets were weakening.

The Phippses had distributed tofu, or soybean curd, for another producer, and they were making good money on distribution alone. So they decided to try making the product themselves, hoping to "Americanize" the specialty food.

It took three months to start processing tofu, Jane Phipps says. "It definitely is a craft." But the biggest blunder they committed, she says, was investing 10 percent of a year's gross into a product that was only 4 percent of sales. "We bought all the equipment without saying, 'What percentage of our sales is tofu?' And, 'If sales increase, what percentage are they going to have to increase to justify [the investment]?' We went right ahead, gangbusters," she says. "We've been losing money every month." She expects to continue losing from tofu for two more years.

To offset the loss, they've balanced costs and volume elsewhere to increase profits, says Jane Phipps. For example, before agreeing to supply items such as fresh, cut broccoli in bulk to a large grocery chain two years ago, the Phippses carefully analyzed all costs. They had five employees cut up a crate of broccoli, and the Phippses calculated their waste quotient from cutting the broccoli heads into florets. They estimated the time spent bagging the products and multiplied that by their average wage to approximate labor costs. They also added up costs of product packaging, including artwork and printing of bags and shipping boxes. Finally, they calculated delivery costs.

All those little steps kept them from repeating their big mistake. "In our market, the processing part of it is very competitive," Jane Phipps says, but "you have to quote a price where you can make a profit." ■

PHOTO: ©BOB DAEMMRICH

Careful pricing: *Vegetable-firm owners Bob and Jane Phipps take small steps to avoid big mistakes.*

COST CONTROL

Cups For Keeping

As part of a companywide effort to promote recycling and to reduce costs in the long run, Mohawk Paper Mills Inc., in Cohoes, N.Y., has stopped providing disposable cups at its coffee machines. Instead, the company bought each of its 300 employees a $2 coffee mug.

The idea came from Laura Shore, Mohawk's head of communications. Although the mugs cost more than disposable cups the first year, she says, "you start saving over time."

Beth Briaddy, who is Shore's deputy, says Mohawk has free coffee for everybody, "and everybody drinks a lot of coffee here. Every time they'd get a [refill] they'd get a new cup. You can imagine how many cups we go through in a year."

About 40,000.

Mohawk's visitors and customers also get mugs. That doesn't save money, Briaddy says, but it's good publicity. ■

MINORITY BUSINESS

A New Life Abroad For Small Firms

To escape the economic slump in New England, 24 of the region's minority-owned companies have started exporting through a program sponsored by the U.S. Small Business Administration with help from a Cambridge, Mass., consulting firm.

The president of one of the companies, Bill Lytle of Chart Pens Inc., in West Haven, Conn., sees newer technology replacing his product in U.S. markets. Lytle's firm makes pens for recording devices, such as seismographs. Other countries will still want the pens after U.S. markets shrink, Lytle says. "The U.S. market is going to change more rapidly than the export marketplace. So we want to try to have a presence [abroad]." Chart Pens has begun small shipments to Mexico.

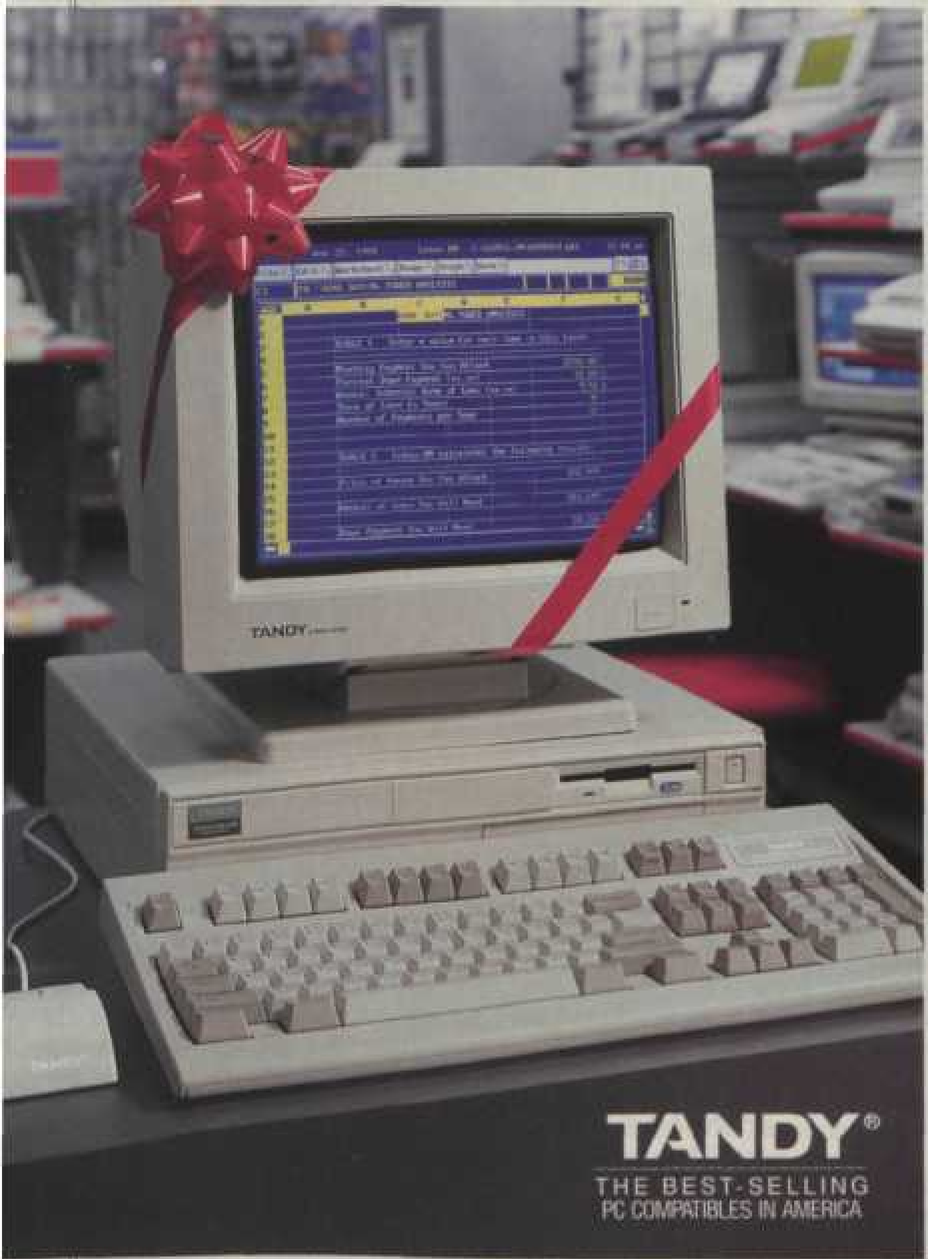
Meanwhile, Marlene Qualls of the New England Popcorn Co., in Smithfield, R.I., is talking with three distributors in Canada. "With the local economy in recession," she says, "Canada offers our company an important growth opportunity."

A small Maine firm making cassette tapes has three European recording giants checking out its wares. A Vermont gourmet-food firm is shipping samples and getting freight rates abroad under SBA's program.

Ben Van Vort, a trade consultant with the Cambridge firm WPI Inc., which helped the small companies start exporting under the SBA's aegis, says some of the firms "never thought of exporting before." Exporting, he says, gives companies an advantage over competitors that don't export. And because payment terms for exports often are default-proof, Van Vort says, "when properly structured, it can be more safe and profitable than domestic trade."

For help with exporting, call your regional SBA office, listed in the blue pages of the telephone directory. ■

THIS CHRISTMAS AT RADIO SHACK



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CUSTOMER SERVICE

Saving Time To Stay On Top

Fishing-reel maker Zebco Corp., in Tulsa, Okla., shows the indispensable value of close contact with customers. As part of a "value analysis" carried out in the company, Zebco asked its customers what they want most when buying their fishing gear and having it repaired.

Time was their overriding concern. Zebco's customers asked for immediate service, quick repairs, instant answers to questions about products, and fast delivery of reel parts.

To satisfy its customers, Zebco instituted some "streamlining," says Leon Rademacher, customer-service chief. Competitors were taking about 21 days to complete repairs on equipment, he says. Although Zebco was completing repairs generally in five to seven days, the process was still found to be hampered by bottlenecks and duplicated efforts. When those problems were eliminated, Zebco was able to promise to finish repairs on warranty items in 48 hours and on non-warranty parts in 72 hours.

Rademacher says Zebco usually does better than its promise. The average turnaround time on a repair is now about 20 hours.

In addition, the company now gives each customer a card stating the times the part was received and when it was fixed.

Zebco also promises to respond to inquiries within three days. "We went about increasing [each customer's] level of expectation," says Rademacher. "The only judge is the customer."

By at least one account, the customers are judging Zebco favorably. Rademacher says that about 95 percent of the 500 letters the firm received from customers last year were compliments. ■

MARKETING

Looking For The Less-Obvious Customer

Relying on your regular market may keep you comfortable when demand is healthy, but if business falls some, it can pay to create a whole new market for your firm.

Irene and Reuben Martin, owners of Seabrook Tire and Auto, in Seabrook, Md., had to ferret out new clients when their flier advertising "fizzled."

They had been promoting their shop to residences in a cooperative advertising program organized by the maker of the tires they sell. One by one the other dealers dropped out of the cooperative, Irene Martin says, which led to distribution cutbacks, reducing the Martins' advertising reach and causing their business to suffer.

PHOTO: ©DENNIS BRACK—BLACK STAR

Creating new markets: *Tire-company owners Irene and Reuben Martin.*

That's when Irene began attending local business fairs, seminars, and workshops to meet potential business clients. In the past, they hadn't marketed to other businesses. "I went up and asked them if they had a fleet of vehicles," she says. "Sometimes they would have their own mechanics. Sometimes they would need some part of what we do." At first, she says, gaining new business this way was "sporadic." Often new clients wouldn't come right away, but "we kept plugging," and the calls finally came.

Another company that had to reach for a wider market is Amerispec Inc., a home-inspection firm in Orange, Calif. Amerispec is shifting its focus from home buyers to home sellers.

"Ninety percent of inspections occur on the buyer's side," says Tom Carroll, the firm's president and CEO. But "if [home] sales are off 20 percent, then home inspection is off 20 percent."

His solution is to market inspection services to the other side. Amerispec is trying to persuade sellers to have homes to sell that are beyond buyers' reproach. "In a given market you may see 500 homes on the market every month—only 200 of those will sell," Carroll says. By marketing to home sellers rather than simply home buyers, "we have 500 inspection opportunities instead of 200." ■

PLANNING

TOP MANAGEMENT GOALS

Here's how owners of midsized companies rank their current management objectives:

Improving productivity and efficiency	49%
Managing growth	21
Identifying and eliminating unprofitable products and services	17
Improving quality control	9
Complying with government regulations	4

SOURCE: 800 [illegible] survey responses from 2,201 firms

NB TIPS

✓Home-based entrepreneurs might like a free new guide for locating often-obscure sources of help for the business that is growing at home.

The World's Greatest List of Home-Business Resources explains how to contact places such as a national library-reference system that answers questions free over the phone; an independent company that can help find the name of businesses not found with directory assistance; a U.S. government service that helps firms sell to federal agencies; a free hot line that helps with grammar; and a home-based-business network for sharing advice.

For a copy of the guide, send a self-addressed, stamped envelope to Information Publishing Inc., Suite 288, 300 Main St., Huntington, N.Y. 11743.

✓The American Management Association is sponsoring a series of daylong "Programs For Growing Companies," aimed at small and midsized firms. Series topics include cash flow, growth strategies, marketing, and "doing more with less."

The fees for attending the seminars range from $220 to $240.

The growing-companies series starts on the East Coast and will be held throughout the U.S. in 1992. Call 1-800-262-6969 for details. NB

ENTERPRISE

A Joining Of Venture And Capitalists

In Rochester, N.Y., attorney William Alexander is spinning off an idea he saw at work in the 1980s in Ann Arbor, Mich.: group meetings of entrepreneurs and people with venture capital.

The Rochester New Enterprise Forum began in September and meets monthly. It features two or three businesses presenting their firms to an audience of potential investors. The forum is open to the public, Alexander says, and offers a "single place where entrepreneurs have a chance to meet with a wide range of serious investors." The investors can listen to entrepreneurs and then consult advisers about funding ideas they like.

The arrangement also offers a networking opportunity for Alexander, who is a tax attorney specializing in small and midsized firms.

Venture-capital forums have been under way for years in other cities. In Ann Arbor, Alexander says, the forum "has become the center of a network of investors, entrepreneurs, and business professionals," and it has "led to the formation of new and growing companies." ■

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If your company has long distance bills of just $50 or more, you can save money on long distance calling card calls. Because AT&T offers savings on calling card usage with the *AT&T PRO® WATS* volume discount plan.

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AT&T

*Based on a comparison of billed charges and surcharges of alternate operator service companies.

Circle No. 53 on Reader Service Card

Dateline: Washington

Business news in brief from the nation's capital.

By Mary McElveen and Albert G. Holzinger

THE ECONOMY

Business Formation Remains At A Standstill

Despite some encouraging signs in the economy, business formations remain at a standstill, according to Lawrence Kudlow, chief economist for Bear, Stearns & Co., in New York.

In remarks to trade and professional association executives at the U.S. Chamber of Commerce, in Washington, Kudlow said: "We are seeing no recovery in the self-employed, nonfarm economy. Business formation is still dead in the water."

Kudlow's economic assessment is bad news for the unemployed because small businesses have made up the greatest source of job growth in recent years.

"In the last two to three years," he said, "public policy has taken a nasty turn against the entrepreneur and the self-employed." Kudlow noted the trend toward the re-regulation of business and tax increases as the principal culprits.

Kudlow said Congress could encourage business formation by approving measures to reduce taxes, such as the "Economic Growth and Jobs Creation Act of 1991," introduced by Sen. Malcolm Wallop, R-Wyo., and Rep. Tom DeLay, R-Texas.

The DeLay-Wallop measure would reduce the combined employer/employee Social Security tax rate from 12.4 percent to 10.6 percent; establish a new type of savings account called the IRA Plus, which would allow individuals to make deposits with after-tax funds and make withdrawals after age 59½ without paying taxes on the interest earned; cut corporate and individual capital-gains tax rates to 15 percent; and establish a tax-code provision to protect depreciation write-offs against inflation.

Without strong pressure for such legislation, Kudlow said, "tax policy will continue to move in the wrong direction." Suggesting that a "local tax revolt is brewing," Kudlow said he thinks tax concerns at the grass roots will affect the 1992 elections and the makeup of Congress.

PHOTO: GENE HOGUES

While many small businesses *are weathering the recession, few entrepreneurs are starting firms.*

BUSINESS COSTS

Postal Rate Hikes Likely To Be Limited

The U.S. Postal Service's automation program is proceeding so smoothly that no major rate increases are anticipated through the rest of the decade, said Postmaster General Anthony M. Frank.

Frank projected potentially a "modest" rate increase in early 1995 but no further rate hikes until 2001. The projection represents good news for postal customers, who experienced average rate increases of 17 percent in 1988 and 19 percent this year.

"The automation program is going incredibly well," Frank said. "We are going to make our target of 100 percent bar-coding of mail by the end of 1995."

Mail bar codes are addresses printed on envelopes in a form that can be read and processed by high-speed sorting machines. Bar codes speed delivery while lowering Postal Service costs by reducing the number of hands that must touch mail en route to its destination.

About 41 percent of mail is bar-coded now either by mailers, who receive a discount for performing this service, or by Postal Service machines. Frank estimates bar-coded mail will make up 62 percent of all mail by the end of next year.

Bar-coding and other automation measures have enabled the Postal Service to reduce its work force by about 37,000—from approximately 787,000—through attrition over the past several years. Frank said continuing automation will result in elimination, "hopefully through attrition," of at least 47,000 additional jobs by the end of 1995. He estimated total savings from these work-force reductions at $4.5 billion annually.

However, Frank may have to revise his projection for future rates unless the Postal Board of Governors soon approves a one-cent increase in the 29-cent first-class rate. The 30-cent first-class rate sought previously by the Postal Service has been denied three times by the independent Postal Rate Commission, but the board can implement it by a unanimous vote.

The additional one cent of postage for first-class mail would translate into $850 million a year in postal revenue.

TRADE

Data Available On Trade With Soviets, East Europeans

A series of six books to aid businesses considering trading with or investing in the Soviet Union or Eastern Europe can be obtained from the U.S. Chamber of Commerce.

Separate books cover the Soviet Union and the Baltic States, Poland, Czechoslovakia, Romania, Hungary, and Bulgaria.

They contain brief overviews of recent trade developments; lists, including phone numbers and addresses, of key contacts in the countries as well as experts on the nations; trade services available in the countries; and synopses of investment-related legislation.

The books are $42.50 each for U.S. Chamber members and $47.50 for nonmembers. The books are also available as a package at a discount rate of $215 for Chamber members and $240 for nonmembers.

To order, write Ingrid McKenzie, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062; for more information, call (202) 463-5467. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

How Richard Thalheimer Is Trying To Sharpen An Out-Of-Date Image

It is the summer of 1991 in San Francisco. The elegantly dressed man, his hair flecked with the gray of early middle age, is flipping through a Sharper Image catalog dated February 1990. He pauses over a device billed as an "electronic stethoscope." By using it, the catalog promises, "you can monitor even whispered conversations" on the other side of a wall.

"This is so '80s," the man says scornfully. "A $200 way to listen through walls."

As he turns the pages, his sarcasm grows thicker: "A portable plasma sculpture for a hundred bucks—there's something you need. Look at this: a neon phone for $117! Who needs that? No one! Forget neon phones! I hate it!"

Other people have felt the same mixture of irritation and amusement when they looked through a Sharper Image catalog or visited a Sharper Image store. The Sharper Image grew famous—and prosperous—in the '80s as a purveyor of entertaining and ingenious gadgets, and some serious-minded folk wax indignant at the thought of grown-ups spending their money on such things.

What is unusual about this scene is that the man recoiling from the catalog is Richard Thalheimer, 43, who founded The Sharper Image almost 15 years ago and still owns around three-quarters of its stock. He runs the company, as its chairman, president, and chief executive officer, from offices near the Embarcadero.

Thalheimer has not gone berserk; quite the opposite. He is trying to remake a company that flourished for a decade, before its sales and profits began to weaken in the late '80s. In 1990, The Sharper Image suffered the first net loss—$2.3 million—in its history as sales fell by $28 million, to $181 million.

Until things started to go sour, Thalheimer lived out an entrepreneur's dream: He accurately measured a broad public's mood, and he expertly tailored a business to match it.

He started in the late '70s by selling a waterproof, stainless-steel digital chronograph through an ad in a runners' magazine; his sold for $69 when, he says, comparable brand-name watches cost $300. He parlayed his success with that first ad into ads in 20 more magazines, and then, in 1979, into the first Sharper Image mail-order catalog. Two years later he opened his first retail store. The chain grew to 75 stores by 1990.

Then the bottom fell out. Thalheimer thinks that the causes run deeper than the general weakness in the economy. "Part of the reason I was so lucky at figuring out trends in the '80s," he says, "was that I used to live those trends, and then I would translate them into products for our business. The last few years, I wasn't that involved in choosing products."

Instead, he says, "I was living—I had a family, two children, my first and only family, and I renovated an old house. Now I realize that I can translate this period of my life into products for the next few years." He has taken a more active role in the business since the first of the year.

"Contrary to what people think about me," Thalheimer says, "I'm not the consummate gadget person. I am probably more outdoors and naturally oriented than I am electronics-oriented." Now there's a much heavier emphasis in the catalog on "green" products, whose appeal is based in part on their supposed benefits for the environment.

There is, for example, the Ultrasonic Pest Deterrent, which emits high-pitched noises that animals find disagreeable. "People don't want to poison or shoot deer," Thalheimer says, "so this way you

PHOTO: ©ROBERT HOLMGREN

Thalheimer tries out *some of the offerings at a San Francisco Sharper Image store.*

Many people think of Hitachi as a consumer electronics company. Which is true – to a point. We're also a technological leader in medicine. Business equipment. Science. Industry. Computers. Our 20,000 products include everything from TVs to image processing equipment. Such as facsimile machines and magnetic resonance imaging (MRI) systems.

Take MRI. It's the most significant advancement in diagnostic imaging since the X-ray. MRI enables doctors to detect problems early on and to make more accurate diagnoses.

Hitachi is a world leader in high-resolution, compact MRI equipment. What's remarkable, however, is that MRI equipment only begins to tell the story of our commitment to medicine. Our involvement encompasses clinical analyzers. Electron microscopes. X-ray CT scanners. And ultrasound equipment.

Chances are you already use Hitachi facsimile machines. You'd be in good company. Our unique technological advancements enable business people to quickly and efficiently transmit super clear images. Even very small characters come out with a remarkable high degree of precision.

Taken together, Hitachi is a people company. Responding to the wants and needs of individuals everywhere.

And that's not an advertising image. That's a fact.

For more information about HIFAX, call toll-free 1-800-HITACHI. (Applicable within U.S. only)

HITACHI

can chase them to your neighbor's yard."

But even some of the "green" products have a distinctive Sharper Image flavor. On one page, for example, you'll find a $100 aluminum-can crusher, advertised with a detailed cut-away drawing of its high-tech innards.

Likewise, the catalog's increased emphasis on healthful activity embraces not just English walking sticks but also the Treadwall, a device that permits athletes to climb mountains indoors. It sells for $15,000.

Thalheimer is in fact trying to accomplish several tricky—and perhaps contradictory—missions at once. Even as he promotes the relatively sober "green" products, he speaks of refreshing the notion that The Sharper Image is a place to find "some fun stuff. We got away from that." And so the fall catalog offers both a bird feeder and, a few pages away, a telephone shaped like a slice of pizza.

Likewise, despite the presence of the Treadwall, Thalheimer is fighting the idea that The Sharper Image is a pricey place to shop. He has been adding lower-priced items to the catalog and the stores, and for Father's Day, The Sharper Image made a three-city test of radio ads that touted its low prices.

It all adds up to a more complex image than the one that Thalheimer created in the past, and the results aren't in yet on how the public will respond to the change. The Sharper Image is a highly seasonal business, and the critical Christmas season is just beginning.

Despite continuing losses in the first two quarters of 1991, Thalheimer thinks the early signs are encouraging: The catalog's response rate is up, and so is the total number of sales transactions. He expects a turnaround to come as products introduced successfully in the catalog make their way into the stores, which account for 80 percent of total sales.

The Sharper Image is "still very product-driven," Thalheimer says; that is, if he introduces the right products—no matter how odd the mix may appear at first glance—"people buy them." And if there's one thing he's good at, he says, it's picking products. Watch him flip through a current catalog, and the disdain he shows for the "electronic stethoscope" is nowhere in sight as he pauses to admire the Mephisto shoes, the brain-wave sychronizer, and The Sharper Image's own private-label "face maintenance system."

If The Sharper Image has one great asset in its current difficulties, it is that its CEO can say of one new product after another, "I'm so excited about it," and sound like a man who means what he says.

—Michael Barrier

Why A Houston Businessman Feels Flushed With Success

These are tough times for advertisers, who are struggling to get in touch with their intended audiences. Even when they can find their targets, advertisers fear that their messages will be lost in the flood of 30-second commercials, 5-pound Sunday newspapers, and countless direct-mail appeals.

What one small Houston firm offers to advertisers would thus seem to guarantee it a golden future. That firm, Headlines USA, can deliver target audiences that are not just young and affluent but also relaxed and receptive; and it can assure advertisers that most of those consumers will read their messages with rapt attention, because there will be nothing to distract them.

Mark Evetts, 34, who co-founded Headlines USA five years ago and now runs it as its president and principal stockholder, says that some advertisers do indeed "fall madly in love" with the idea behind his company. On the other hand, he says, some people respond to Headlines USA in just the opposite fashion: "They flat don't like it."

Maybe it's all that white tile.

Evetts' firm sells advertising space in public restrooms. Its framed "Ad-boards" hold 10 advertisements, each 4 by 7 inches; an advertiser can buy space on one board for as little as $20 a month. The restroom owners—typically, nightclubs, restaurants, and sports arenas—get a cut of the proceeds, usually 10 percent.

Headlines USA runs its Houston operation itself, and it has franchisees in about 30 cities. Evetts says the parent company had revenues last year of around $800,000.

Evetts came up with the idea for Headlines USA in 1986, when he was a computer salesman. He noticed the newspapers that some restaurants put up in their restrooms to keep their customers occupied, and he realized that those customers could be reading advertisements instead of sports scores. After enlisting several friends to help him start the business, he began devoting all his time to it early in 1987.

In those days, the company was called StallTalk—a name that Evetts changed when he began franchising in 1988. He started franchising after raising just $80,000 from outside investors—the stock market plunge of 1987 short-circuited his plans to raise $250,000—and the lack of adequate financing "made it real nip and tuck" for the first year, he says.

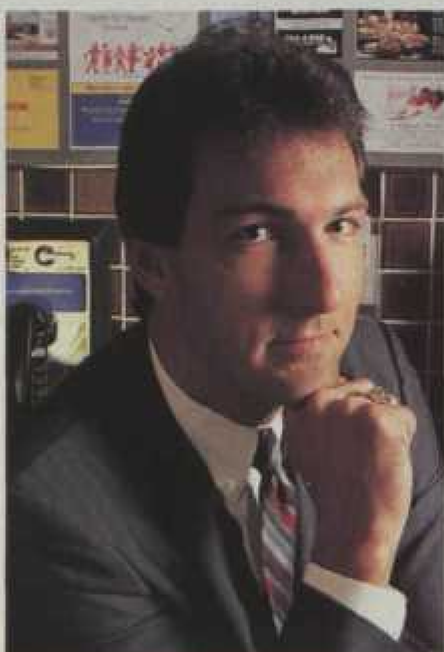
PHOTO: [illegible]

Mark Evetts *of Headlines USA found a way to make sure ads would be read.*

In a way, it is surprising that Headlines has not been swamped by copycats, because nothing would seem to be simpler than putting up placards in restrooms and filling them with ads for health clubs, bars, and auto dealers. In fact, Evetts says, he has already faced eight competitors in Houston alone—but they've all gone out of business. His competitors consistently overestimate revenues, Evetts says, and that means they promise more in royalties to the owners of the restrooms than they can deliver.

Evetts is not interested in many locations with a high traffic count—fast-food chains, retail stores—because there's not a comparably high traffic count in the restrooms. "I'm really looking for the places where I can expect a person to stay a couple of hours," he says. "Beer helps; but, I mean, any fluid. Around Houston, you'll never see an iced tea get very low before they fill it up again, and before you know it, you're back there three or four times."

If Evetts has a problem, it is that many advertisers can't accept his placards as respectable settings for their ads. He has all but given up on approaching advertising agencies, which shy away from Headlines out of fear of offending their clients; he approaches the clients instead.

Despite such obstacles, Evetts says, "I really believe that time is on my side." He is proving that he can deliver to both advertisers and restroom owners, he says, and "you will always come out on top if you simply do what you say you're going to do."

—Michael Barrier


USA
When the customer calls, these flags have to fly.
UNITED STATES POSTAL SERVICE
OFFICIAL OLYMPIC SPONSOR
As supplier to the 1992 U.S. Olympic Team, the Emerson Flag Company has to crank out flags a lot faster than Betsy Ross ever did. And with business being the kind of last-minute ordeal it often is, Emerson has to deliver them fast, too. So they use Express Mail® overnight service from the post office. It's guaranteed.* It's inexpensive. And Express Mail will pick up unlimited packages for a single pick-up charge. With value like that, Express Mail could help any business have a banner year. For pickup, call 1-800-333-8777. We deliver.
EXTREMELY URGENT
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How Bookmaking And Bookselling Come Together In Las Vegas

Sometimes, in the back room of the Gambler's Book Shop, a Las Vegas store, you can find the author of one of the books the store sells—not preparing to sign autographs, but making deliveries.

One day earlier this year, for example, John Boal, a Burbank, Calif., public-relations man, was delivering to the store 15 copies of the latest edition of his 110-page volume, *Get the Maiden Edge*. The book is a guide for serious horseplayers who have a specialized interest in "maidens"—horses that have never before won a race.

Get the Maiden Edge is made up of heavy-duty statistical tables designed to pinpoint which stallions have sired the most winning maidens; the idea is that horseplayers can forecast a maiden's success in a particular race if they know how its brothers and sisters have performed in earlier races. Boal has devoted 4½ years to compiling the data that have gone into his stapled-together book, whose sales so far total around 400 copies (at $29.95 a copy).

That may sound dauntingly single-minded, but it's par for the course at the Gambler's Book Shop.

The store carries some 1,000 titles on gambling and closely related subjects—the Mafia, for instance—as well as videotapes and computer software. Howard Schwartz, who manages the store, says he deals with a lot of self-published, one-book authors like Boal. Typically, Schwartz says, such an author "has got one area of expertise, and he's hoping to supplement his income, or he's using the book as a business card." There's something else, too: As Boal says, there's "the intellectual challenge" of finding predictability in what is generally considered unpredictable.

The Gambler's Book Shop is located in an unglamorous part of Las Vegas, two miles from the glittering "Strip." Glamour is really beside the point at the shop, which has the air of a college bookstore. Its shelves are filled with titles like *Get the Maiden Edge*—books that look for all the world like required reading for courses in statistics or organic chemistry. In fact, college professors wrote some of the books; but *Optimal Strategy for Pai Gow Poker* (written by a pseudonymous Stanford economics teacher) will probably not find its way into many classrooms.

Schwartz, 51, has a vaguely academic air himself. A native of Brooklyn who has since lived "everywhere," he paid his way through graduate school in Colorado by betting on greyhound races; at one point he even owned a greyhound.

Since coming to work for the bookstore about a dozen years ago, he has immersed himself in the literature of gambling—"I read perhaps 30 hours a week, away from work, anything related to gambling"—and he has compiled what he considers "the best gaming files anywhere in the country." His office is covered in shoals of paper, like some distracted researcher's, and he calls himself "a librarian for gamblers."

Edna Luckman and *Howard Schwartz provide a "sanctuary" for gamblers who are readers.*

It's easy to forget, while immersed in the bookstore's atmosphere (and perhaps scanning its volumes on probability theory), that gambling is more than an intellectual pursuit. But the origins of the Gambler's Book Shop were earthy enough.

After World War II, the late John Luckman was working in a bowling alley in Santa Monica, Calif. "A bookie used to come in the bowling alley every day and pick up the action from everybody," Luckman's widow Edna, 68, recalls. John Luckman placed bets, she says, "but after a while, he realized it was the bookmaker who had the big bankroll. So he went to work for that 'maker."

A few years later, "they started clamping down," she says, so in 1955 the Luckmans moved to Las Vegas, where John became a pit boss for blackjack and baccarat at a casino. "He could see that people came in, and they had no idea what they were doing," Edna says. "So he got busy and wrote a pamphlet on each of the casino games, giving the basic rules."

From there the Luckmans expanded in the 1960s into a mail-order catalog, offering their own books and a few others, and then into a retail store. The name they chose for their store was "Gambler's Book Club," because they wanted to encourage gamblers to think of the store as what Schwartz calls a "sanctuary." (Schwartz and Edna Luckman still use "club" on signs and advertising, but they are shifting toward "shop.") The Luckmans published and even printed their own books, on a press in the store's back room, building up a roster of 120 titles.

"John tried to convince everybody that gambling was adult recreation," Edna says. "You're not going to retire on it. Just know what you're doing, and have some fun." Schwartz says that fledgling gamblers who don't bother to educate themselves "might as well mail their wallets in."

John Luckman died in 1987, and since then Schwartz has run the store. "He makes the money," Edna says, "and I make sure it's spent properly." She will release no figures, but from all appearances the Gambler's Book Shop is thriving, despite the presence of at least five other Vegas bookstores devoted to gambling.

The store benefits from its mail-order operation—which has a mailing list of 25,000 customers and accounts now for about half its sales—and from its comprehensiveness. Schwartz tries to carry everything published on gambling (except for a few books he considers overpriced). If a book on a given subject doesn't exist, Schwartz will go to his network of authors and experts and try to get one written. (Major publishers suffer from a paralyzing squeamishness about gambling, he complains: "They have no idea there are 50 million people playing poker, and probably half of them are interested in this game called Hold 'Em.")

It's this intense attention to gamblers' needs that keeps customers making the two-mile trip from the "Strip." "They're motivated," Schwartz says. "They make it a destination, like the Grand Canyon."

—*Michael Barrier*

COVER STORY

Term Limits: False

Frustrated by Congress' inability to deal effectively with such problems as health care and crime, American

By Stuart Rothenberg

You might find yourself facing this political situation: The U.S. representative from your area has never met a payroll and is much more interested in handing out your tax dollars to special-interest groups than in easing government burdens on small business. Seeking change, you approach someone who could represent your views forcefully and effectively.

Will that individual run? No. Chances of winning are too slim, you are told. The incumbent uses the office to generate political support that assures re-election and the continuation of the cycle.

Or: You might be represented in Congress by someone who reflects your views and those of other entrepreneurs and is gaining the experience and influence needed to turn those views into public policy.

You want that individual to be representing you in the next century. But your incumbent is barred from re-election, and you're worried that the new member won't be as effective for a while.

Hope Or Cure?

voters are spurring a major public-policy debate over whether to cap lawmakers' terms.

Those are two sides of an issue that is rapidly moving to the forefront of public-policy debate in America—whether there should be limits on the number of terms that can be served by members of Congress and state legislatures.

The issue has developed out of frustration in the grass roots over the failure of the national government to deal with such basic problems as the economic slowdown, budget deficits, runaway health-care costs, inadquate schools, and crime.

Taking the initiative, voters in California, Colorado, and Oklahoma have imposed cutoffs on how many terms state legislators can serve. While Colorado's action applies also to U.S. senators and representatives, that aspect is being questioned on the ground that any such change requires an amendment to the U.S. Constitution.

An amendment requires approval of two-thirds of each house of Congress and ratification by 38 states. Congress must call a convention to amend the Constitution if the legislatures of 34 states request it.

Because a massive grass-roots campaign would be needed to prevail upon Congress to approve an amendment affecting itself so drastically, the principal activity on term limits thus far has been aimed at passing restrictions in individual states.

Advocates of limits see the state campaigns as part of a growing web that eventually will extend to Congress.

This month, citizens in the state of Washington are to vote on term limits for both state legislators and members of Congress, and the outcome could affect that state's most visible member of Congress, House Speaker Thomas Foley.

Votes on term limits could take place in up to a dozen more states in the next two years. Term-limit movements are under way in Arizona, Arkansas, Florida, Idaho, Illinois, Massachusetts, Michigan, Missouri, Nebraska, North Dakota, Ohio,

COVER STORY

PHOTO: ©TERRY ASHE —GAMMA LIAISON

Oregon, South Dakota, Utah, and Wyoming. Activity in several other states could lead to the launching of such movements.

There are many variations on the specific limits on terms of service and on how they should be applied to those now serving.

In regard to duration, one of the most frequently discussed suggestions would set a maximum of 12 years for congressional terms—two six-year terms for senators and six two-year terms for representatives.

How far will the term-limitation movement spread? How successful will it be? Officeholders on Capitol Hill and in statehouses around the country are watching nervously for the answers to those questions.

Supporters of term limits argue that they would bring more competition into the election process, and with it more elected officeholders who have the energy and imagination to accomplish what needs to be done. Opponents maintain that limits would force many effective legislators from office and put legislative power in the hands of inexperienced individuals who would be dominated by experienced but nonelected congressional staffs.

Currently, those favoring limits appear to have the momentum.

Oklahoma last year became the first state to enact limits on legislative service. By a margin of better than 2 to 1, voters approved an initiative that bars anyone from serving more than 12 years as a state representative or senator.

A few months later, California voters approved Proposition 140, a measure limiting the tenure of both state legislators and top officials of the executive branch. The margin of approval was narrower than in Oklahoma, but the limits were more stringent—a maximum of six years in the lower house and eight in the upper house and most statewide offices.

The initiative passed despite opposition from legislative leaders of both parties. Assembly Speaker Willie Brown, a Democrat concerned that term limits would end his party's domination of both houses by forcing veteran legislators to retire, was in the forefront of the fight. He raised millions of dollars to fight the proposal.

About 4,000 volunteers working under the direction of Coloradans Back in Charge, a group led by state Sen. Terry Considine, a Republican, took part in the effort to get a term-limit amendment on the ballot. Approved by 71 percent of those voting, the measure sets a maximum of eight years for state offices and 12 years for Congress.

Says Considine: "The people of Colorado spoke unambiguously that this is the kind of change they want." Considine, who asserts that term limits "are deeply rooted in the American tradition of self-government," has helped establish a new group, Americans Back in Charge, to encourage other states to enact term limits.

A wave of public support for term limits has already surfaced elsewhere. In New Jersey, where tax increases had angered voters, 80 percent of those polled last December said they favored caps on the length of time state legislators could hold office. In April, almost three-fourths of voters polled by an Arizona television station said they favor a two- or three-term limit for legislators.

Over the past year, several localities have adopted term limits for elected officials. Jacksonville, Fla., Kansas City, Mo., and San Jose, Calif., now allow their city council members and mayors no more than two four-year terms. In Texas, San Antonio voters amended the city's charter to limit council members and the mayor to two two-year terms.

Term limits for chief executives in government—inspired by centuries-old worries about individual power becoming dictatorial—are old hat in this country, actually. Thirty-one states limit gubernatorial succession, typically to two four-year terms. Kentucky, Mississippi, and Virginia even prohibit a second consecutive term.

Much of the term-limitation debate today focuses on Congress, where long service can become a goal in itself because it translates into power. A current example is the controversy surrounding Sen. Robert Byrd, D-W.Va., whose 33 years in the Senate have won him that body's most coveted job, the chairmanship of the Appropriations Committee. Using the leverage of that post, Byrd is pumping vast amounts of federal dollars and jobs into his home state, brushing aside complaints from other members of Congress.

That's the type of situation that critics of unlimited congressional service point to in advocating term limits that would prevent the amassing of such seniority—and such power.

But opponents of limits argue that term limits would deprive the nation of the services of many intelligent and committed lawmakers. Business people concerned about this factor frequently cite Sen. Orrin Hatch, R-Utah, who has been a major defender of the enterprise system throughout his 14 years in Congress.

From a party standpoint, many Republicans see limitation as the only way to guarantee an exit of entrenched Democratic incumbents from the House of Representatives, which the GOP has not controlled since President Dwight Eisenhower's first term. Democrats see limita-

PHOTO: ©MICHAEL PATRICK—FOLIO, INC.

Sen. Robert C. Byrd, *D-W.Va., has achieved such power through long service in Congress that he is able to shift federal agencies into his home state.*

tion as a threat that could cost them their 36-year-long House majority. They fear it would mean defeat in marginal districts that they have hung onto even when presidential elections were disasters for them.

Still, limitation has support from some Democrats. And it is opposed by some Republicans, even though the 1988 GOP platform favored it and President Bush has called for it.

The public dissatisfaction with Congress that shows up in polls—a dissatisfaction that many analysts say is an underlying cause of shrinking voter turnout—has created a favorable environment for term-limit advocates.

In a Gallup pre-election survey conducted Oct. 25-28 of last year, 68 percent expressed disapproval of the way Congress was handling its job. Similarly, a CNN-Time poll in the same period found only 8 percent of those surveyed saying they had "a great deal" of confidence in those who run government, while 60 percent described themselves as "disgusted" with Washington officials. To many Americans, the country's political system is deeply flawed, and the flaw begins with those we elect.

Supporters of congressional term limits note that the concept is hardly new. Participants at the Constitutional Convention in 1787 considered the subject briefly before concluding that they didn't need to deal with it at that time.

From 1975 to 1989, 69 pieces of legislation were introduced in Congress to limit the number of terms representatives or senators could serve. But none proceeded very far along the legislative assembly line. Term limits were not treated as a serious option until the past couple of years.

A national CBS News-New York Times poll conducted March 30-April 2, 1990, found 61 percent of those surveyed saying there should be "a limit to the number of times a member of the House of Representatives can be elected to a two-year term," while only 31 percent were opposed.

Unlike many polls, which find dramatic differences among various groups, support for limits came from group after group—Republicans and Democrats, liberals and conservatives, blacks and whites, men and women. A 1990 pre-election CNN-Time survey found similar results: 62 percent of Americans favored a 12-year cap on House or Senate service.

Term-limit advocates argue that high re-election rates, stemming from the advantages of incumbency and changes in political campaigning, make Congress unresponsive to the average voter and require dramatic action.

Few incumbents seeking re-election are defeated. Their success rate in the last election was 96 percent. (See the chart on Page 28.)

"Congress has become a professional legislature, where members come early, stay late, and die with their boots on," says term-limit supporter Bill Frenzel, a Minnesota Republican who retired last year after serving 10 terms in the House. He is now a guest scholar at the Brookings Institution, a public-policy research organization in Washington.

Increased re-election rates have been accompanied by an increase in the number of House races won with at least three-fifths of the vote for major-party candidates—59 percent in 1956 and 86 percent 30 years later. Political scientist David Mayhew has referred to this as the "rise of the vanishing marginals." The trend toward fewer marginal—that is, competitive—seats has discouraged potentially strong challengers, who have concluded that it is almost impossible to dislodge all but the weakest incumbents. That might explain why 85 House candidates and four U.S. senators were without major-party opposition in 1990.

PHOTO: ©TERRY ASHE

Rep. Scott Klug, *R-Wis., and aide Robert Cook review constituents' requests for services. Such casework has become important politically.*

Several factors help explain the relative invincibility of congressional incumbents. One consists of the resources at their disposal—office staffs, free mailings, etc.—and their ability to earn positive news coverage throughout their terms, which can give incumbents huge campaign advantages over challengers. Incumbents, particularly those whose seniority gives them strategic committee assignments, are also able to raise substantially more campaign funds than their challengers.

In addition, a change in role has helped members of the House in particular to keep their jobs. In recent decades, more and more have concentrated on what is known on Capitol Hill as casework. The term refers to dealing with such constituent matters as disputes with the Social Security Administration, admission to Veterans Affairs hospitals, and eligibility for various federal-aid programs. In recent years, lawmakers have increasingly used their offices to deal with such matters, which they consider at least as critical to re-election as developing solutions to national problems.

The best evidence of the "new congressman" is a change in the size and nature of congressional staffs. From 1947 to 1987, the number of people serving on House members' staffs climbed from 1,440 to 7,584. Even more telling is the transfer of responsibilities from members' Capitol Hill offices to home districts. Over 40 percent of House staffers today are based in district offices, where they handle local matters and constituent re-

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quests. The figure was about 20 percent in 1972 and was even smaller in earlier years.

Incumbents have also benefited from another trend: the loosening of voters' party attachments—evidenced by a growth in ticket splitting—and the weakening of the parties themselves as voters become more interested in lawmakers' stands on specific issues rather than their party affiliations. In that process, candidates have raised more money on their own through issue-oriented political-action committees and direct appeals to voters. Incumbents, already in position to act on those issues, have clearly benefited from that change.

Also, presidential landslides used to sweep congressional incumbents out of office from time to time. But more recently, the rise of ticket splitting has helped incumbents insulate themselves when their party's presidential candidate has been swamped at the polls.

PHOTO: ©TERRY ASHE—GAMMA LIAISON

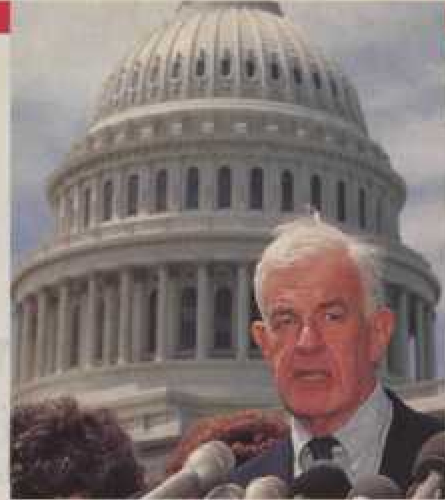


PHOTO: ©DENNIS BRACK—BLACK STAR

Veteran lawmakers *who could be affected by term limits include Sen. Orrin Hatch, R-Utah, left, and House Speaker Thomas Foley, D-Wash.*

Though supporters of term limits deploy impressive statistics to show that the public has grown dissatisfied with the status quo while incumbents have become more entrenched, there are contradictory forces at work.

The most significant is the extent to which voters simultaneously condemn Congress as an institution while they remain loyal to their own incumbent senators and representatives. The October 1990 Gallup Poll that showed 68 percent disapproved of Congress' performance also showed that 61 percent approved of the job their own senators and representatives were doing. Only 19 percent of those surveyed expressed disapproval.

As for length of incumbency, over the past 30 years there has been little change for House members. Among those elected to the 87th Congress (1961) and to the 101st (1989), the mean length of service at the time of election—the figure midway between the longest and the shortest—was 11.6 years, or 5.8 terms. Nearly 170 members of the present House, however, have served more than six terms.

Supporters of term limits contend that increasing the number of open seats would attract better candidates. Strong potential candidates in state and local governments, it is argued, are less likely to risk their standings against entrenched incumbents than against other newcomers.

It is also argued that term limits, in addition to injecting new blood into Congress on a regular basis, might encourage members to put more effort into making a legislative impact than doing chores for constituents.

Mark Liedl of the Heritage Foundation, a Washington-based public-policy organization, says: "If terms are limited, members no longer will have the incentive to build the casework operations that guarantee a lifetime career in Congress. [They] . . . will have more of a motive to concentrate on policy-making in order to make their mark on Washington."

Opponents of limits say any restriction on the number of terms a legislator can serve infringes on the electorate's freedom of choice. If voters were as upset with the system as polls suggest, the argument goes, they would "throw the rascals out," including the rascals who represent them.

Backers of limits admit that, along with the "rascals," some hard-working, able members would be forced out, but they say it would be a small price to pay to make elections more competitive.

Another argument focuses on lobbyists. Members have always relied on interest groups for policy information, but term limits' foes suggest that lobbyists would acquire additional clout if there were more freshmen on Capitol Hill. "Term

Retention Of Incumbents, U.S. House of Representatives

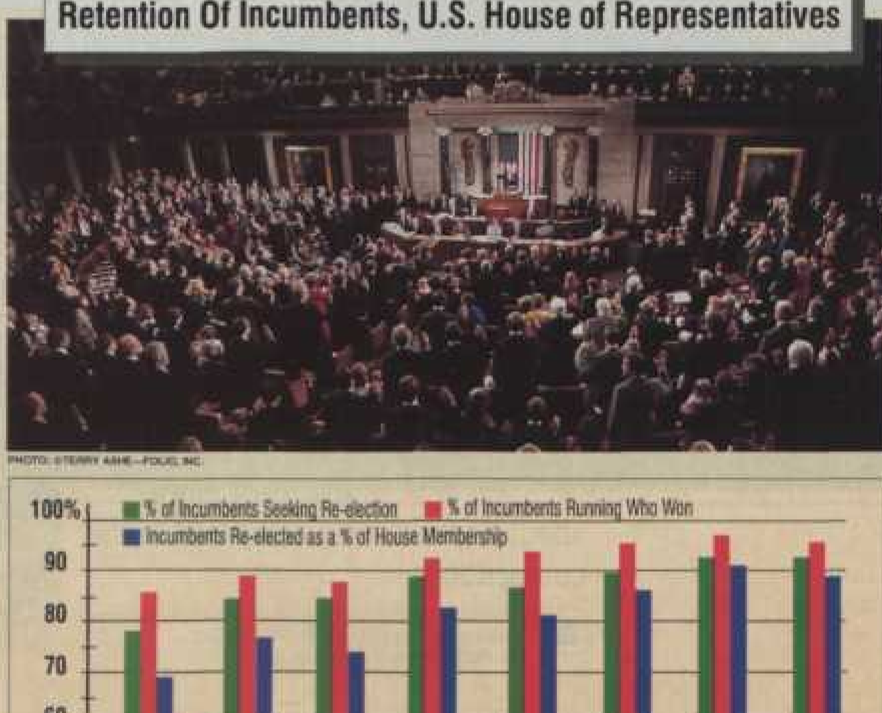
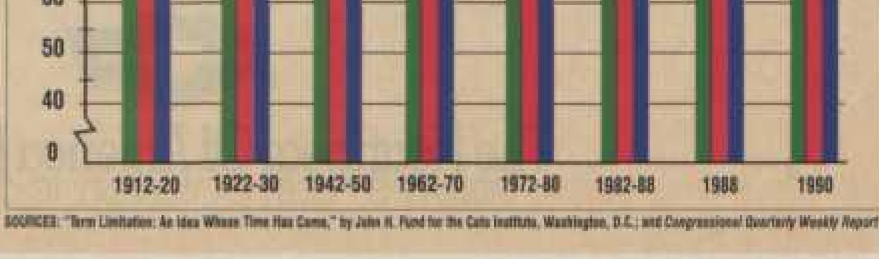


PHOTO: ©TERRY ASHE—FOLIO, INC.



SOURCES: "Term Limitation: An Idea Whose Time Has Come," by John H. Fund for the Cato Institute, Washington, D.C.; and *Congressional Quarterly Weekly Report*

PHOTO: ©P.F. BENTLEY—BLACK STAR

PHOTO: ©JAMES COOK

On opposite sides *of the term-limit debate: California Assembly Speaker Willie Brown, a Democrat, at left, and Colorado Sen. Terry Considine, a Republican.*

limits won't weaken special interests, and that comes from someone who lobbies for a living," says William Ratchford, a Connecticut Democrat who formerly served in Congress and has also been speaker of the Connecticut House of Representatives. He now works for a Washington lobbying firm. Limits, he says, "would simply drive out expertise at the committee and subcommittee levels."

Supporters of limits dismiss those fears. They say that some of the closest relationships on Capitol Hill are between lobbyists and veteran members, who have interacted over the years both professionally and socially on the Washington cocktail circuit. Fewer years in office would mean looser ties, they say.

They also argue that limits would make members of Congress less dependent on Capitol Hill staffers. "When new people are elected to Congress, they bring new people with them to Washington," says former Rep. Hal Daub, a Nebraska Republican who is now director of federal government affairs for Deloitte & Touche, an accounting and consulting firm. "Term limits will actually help control the bureaucracy," he says.

As the debate on the issue grows, so does direct action. In Florida, wealthy businessman Phil Handy has formed Citizens for Political Term Limitations, whose goal is to win voter approval in the November 1992 election for amending the state constitution to impose term limits.

Among Florida's most avid supporters of term limits is Dan Calabria, president of Templeton Funds Management, Inc., in St. Petersburg. In the last election, he says, the veteran state and congressional incumbents representing his district were unopposed. "If incumbency means disenfranchisement of individual voters, then it is evil and should not be allowed to continue," Calabria says. "All I'm suggesting is that we give people a choice and not have the advantage so skewed in favor of the incumbent that it makes it impossible for anybody to mount such a challenge."

He adds: "If you look at where we are today in terms of the quality of people we have in politics, you understand very quickly why a change is necessary. ... The arrogance of incumbency is just too much."

Similar views are driving the term-limit movement in other states. For example, Texans for Term Limitations plans an extensive grass-roots and media campaign to force the legislature to limit

PHOTO: ©BRAD MARKEL

Former Rep. Bill Frenzel: *"Congress has become a professional legislature."*

terms for certain federal and state offices.

"A central part of the strategy in Texas is to force legislators to go public—to take a stand on term limits," says David Hill, who conducts surveys for term-limitation groups in Texas and Florida. Since Texas has no mechanism for allowing voters to place initiatives directly on the ballot, advocates of term limits will have to depend on legislators, which severely dampens the advocates' prospects.

In California, state legislators from both parties have joined to try to overturn Proposition 140—the term-limit measure—by challenging its legality, and the California Supreme Court has agreed to hear the challenge. In addition to setting a maximum number of terms for legislators, Proposition 140 slashed the legislature's operating budget.

A future stumbling block for the term-limit movement is seen in congressional seniority. If only some states impose limits on members of Congress, members from such states are sure to lose out under the seniority system. That could have an impact on voters considering the limitation issue.

Another stumbling block for the movement could be the prospect of significant congressional turnover next year. There could be more departures from the House in 1992 than there have been in any election year for a decade. The two main reasons would be the redistricting stemming from the 1990 Census, and a House rule permitting members who were first elected before 1980 to convert leftover campaign funds to personal use upon leaving Congress—provided they don't seek re-election next year.

That's just the type of turnover desired by advocates of term limitation. Ironically, if it occurs, it could weaken their movement with regard to Congress. Opponents of limits would cite that development as proof that the current system can be self-correcting.

But the limitation movement has built up so much momentum so quickly that even with significant turnover in 1992, term-limit proponents are unlikely to agree their job is done. And their basic argument would reflect not today's political developments as much as a view advanced more than 200 years ago and cited in a recent Cato Institute policy analysis, *Term Limitations: An Idea Whose Time Has Come.*

At the 1787 Constitutional Convention, the report states, "Roger Sherman of Rhode Island summed up the feeling of many delegates when he commented that Congress should be made up of 'citizen-legislators' who through the principle of rotation in office would 'return home and mix with the people.

" 'By remaining at the seat of government, they would acquire the habits of the place, which might differ from those of their constituents.' " NB

To order reprints of this article, see Page 85.

Stuart Rothenberg, a Washington political analyst, publishes The Political Report, *a biweekly newsletter. He is also a visiting scholar in the Department of Politics at The Catholic University of America.*

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OBSERVATIONS

Books For Your Shopping List

By Sharon Nelton

Many of you have told me how much you like it when *Nation's Business* alerts you to resources you can use. Well, you're in luck these days. Where once hardly a book on family business could be found on publishers' lists, suddenly there is an embarrassment of riches.

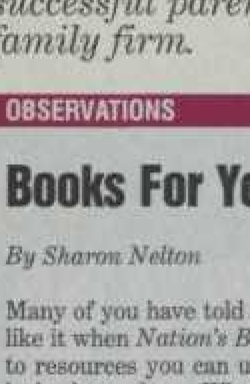
Here are some of the new offerings:

Running a Family Business, by Joseph R. Mancuso and Nat Shulman (Prentice Hall Press, softcover, $12.95). In addition to dealing with the problems of succession, the authors devote chapters to in-laws, entrepreneurial couples, and the changing role of women.

Mancuso heads the Center for Entrepreneurial Management Inc., based in New York, and Shulman is owner of BEST Chevrolet, a Hingham, Mass., car dealership.

Family Business Sourcebook, edited by *Nation's Business* columnists Craig E. Aronoff and John L. Ward (Omnigraphics, Inc., $85). This 709-page tome is aimed at the library market, but family-business owners will find it a useful reference for their own bookshelves. A collection of 75 articles culled from business publications, it addresses such topics as succession, strategic planning, finance, professionalizing a family firm, raising rich kids, and conflict in the family business. If you can't obtain a copy through your bookstore, write or call Omnigraphics at the Penobscot Building, Detroit, Mich. 48226; (313) 961-1340.

Creating Effective Boards for Private Enterprises, by John L. Ward (Jossey-Bass Inc., $25.95). Ward contends that private companies and family firms, faced with increasing competitive challenges, need the expertise and objectivity that a well-chosen board can provide. His is a handbook that explains how to set up a board and make the most of it.



An embarrassment of riches in books on family business.
—Sharon Nelton

Keeping It in the Family, by James Lea (John Wiley & Sons, $24.95; publication date: Dec. 23). This is a detailed guide to succession, with discussions and checklists on such topics as what succession planning consists of and letting go of the business. I particularly like the chapter on marketing the business to the family as a career and as a family enterprise. The author is a corporate consultant in Chapel Hill, N.C.

The Entrepreneurial Family, by Roger Fritz (McGraw-Hill, $19.95). Fritz's book covers the family firm from start-up to the founder's retirement. It is aimed at all the members of a family business, however, not just the owner or founder. Fritz, an organization-development consultant, is the author of *Nobody Gets Rich Working for Somebody Else*.

Not new but recent and largely unsung is *Working With the Ones You Love*, by Dennis T. Jaffe (Conari Press, $19.95). It deals with the emotional subtleties of working with relatives. Jaffe, a San Francisco family-business consultant, covers such topics as managing work and family relationships, resolving conflicts, creating a family council, and bringing family members into the business.

There ought to be something here that's just right for someone on your holiday gift list this year.

PLANNING

Following In Huge Footsteps

By John L. Ward and Craig E. Aronoff

"If I'm successful, I'm a 'chip off the old block' and someone who had all the breaks. If I'm not successful, I'm a discredit to my family." Those are the feelings of many family-business successors. "This is a no-win situation," they conclude.

Following in the footsteps of a parent who is a successful entrepreneur is a special challenge. Described as creative, resourceful, powerful, and a genius, the parent is a hero, revered and omnipresent in the business he or she founded.

Many employees, some customers, and others will remind the successor, "I am what I am because of your dad." Many businesses contain a "Wall of Fame," covered with pictures of the entrepreneur with famous people, framed magazine and newspaper stories, and awards and plaques—all reminding everyone of the founder's accomplishments. The founder's image permeates not only the business but also the family, the industry, and the community. Moreover, members of each group have expectations about the heir's ability to live up to that image.

Despite this frightening prospect, many young people follow in their parents' vocational footsteps, whether the career choice involves medicine, the arts, politics, or running the family business.

When a child follows a very successful parent's path, a number of emotional dilemmas commonly arise: How do you make your own mark in the land of a legend? How do you create your own identity while still honoring the tradition of your parent? How do you adjust to the pressures of instant notoriety, visibility, and high public expectations? How can you please that parent, who will have such high standards for you? How much competition and jealousy exist between a great person and his or her successor?

Some deal with these dilemmas with a sense of humor. After losing a big car race to his father, Al Unser Jr. said, "Dad taught me everything I know. Unfortunately, he didn't teach me everything *he* knows." When asked what it's like to be

followed by a big crowd at a golf tournament because of his famous father's reputation, Jack Nicklaus II commented: "It's nice to have so many people watching; they can help me find my ball."

Tips For Successors: In addition to maintaining their humor, successors to exceptional parents will find these ideas useful:

■ Know yourself. More than 20 years before his death, Malcolm Forbes Sr. told Malcolm Jr.: "I have my own way of doing things, and in time, you will develop yours. Don't try to be what you are not."

ILLUSTRATION: DAVID CHEN

The strongest advice we've heard from successful successors is to examine your strengths, be yourself, and be comfortable with your personal expectations. We know many who chose a role other than presidency of the business for just this reason.

Sometimes vocational testing can clarify personal understanding. Mentors in the business or on its board can offer you valuable feedback or insight. Work experience outside the family business offers ways to discover your strengths and weaknesses, likes and dislikes.

■ Create your own identity. By using your strengths and following your interests, carve your own niche in the business. Your unique characteristics will lead you to areas where your parent-founder is not so active or expert.

For example, computers have been called "the successor's best friend." By championing and introducing computers, many members of the younger generation have contributed something needed in the business but something that their parents, who did not grow up with computers, shied away from. Look for roles in departments or offices that are distant from day-to-day parental impact but that permit you to add value to the business.

■ Strengthen your ego. There is no substitute for experiencing your own successes and the consequences of your own mistakes. In addition to working elsewhere, you can gain important experience from active roles in community-service groups, industry associations, and other organizations. Past successes in school, possibly in sports or other activities, are valuable too.

Tips For Parents: The successors we know who have built their self-awareness, personal identity, and self-confidence all give tremendous credit to their parents. They know these strengths are mostly developed at home. Parents can reinforce this foundation in several ways:

■ Make it clear that while your child is welcome to find vocational fulfillment in the family business, you will support any positive career choice.

■ Outline a realistic career path once the potential successor has joined the business, including expressing an intent to turn over leadership at a specified time.

■ Allow opportunities for the successor to make his or her own contribution. Let others supervise your child.

■ Most important of all, establish the principle of merit in the business. Emphasize that the integrity of the business requires that promotions and job responsibilities be earned. Faithfully following this principle gives the organization and the successor their just due.

Clearly, success at following in the footsteps of a great leader is a responsibility shared by both the parents and their successors. While there are no shortcuts to mutual respect, there is always room to share genuinely earned credit.

The first step is to gain mutual understanding and empathy for the emotional dilemmas each generation faces. The second step comes when the successors make impacts based on their own strengths. Then a "no-win" situation can become a "win-win" opportunity.

PHOTO: T. MICHAEL KEZA

John L. Ward is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

Nov. 15, Milwaukee

The Forum for Family Business is aimed at family members who work in family-owned businesses. Discussion centers on management development issues. Contact Dean R. Fowler at Dean Fowler Associates, 740 N. Pilgrim Road, Suite 103, Elm Grove, Wis. 53122; (414) 786-6234.

Nov. 18, Chicago

"Family Business Continuity" is the theme of a public forum at the Family Business Center of Loyola University of Chicago. Topics include team building for the family and the family business and how to use family advisers. A panel of chief executives from companies at least 100 years old will discuss lessons learned over the years. Contact Drew Mendoza, Loyola Family Business Center, P.O. Box 257608, Chicago, Ill. 60625-7608; (312) 604-5005.

Nov. 21, Ann Arbor, Mich.

The Newport Institute for Family Business will conduct a meeting on family roles and responsibilities and how they affect the family firm. Contact The Newport Group, 455 East Eisenhower Parkway, Suite 140, Ann Arbor, Mich. 48108; (313) 769-8000.

Feb. 6-7, Chicago

"Achieving Harmony, Creating Wealth in the Family Business," a conference sponsored by the National Family Business Council, will explore such issues as succession, managing conflict, business and personal growth, and family harmony. For program details, contact Lynn McBlaine at (708) 295-1040.

How To Get Listed

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Keeper Of The Peace

ILLUSTRATION: DAVID CHEN

"I just want them to be happy," 58-year-old Bob Seymour says of his three sons. "Of course, I'd also like to have enough financial security to retire to Arizona," adds Bob, the founder of a four-office real-estate investment and brokerage company.

Bob's oldest son, Bobby Jr., manages the company's largest-producing office. Sam, the second son, works with his father in another location. Nonfamily managers run the other offices.

Stuart, the youngest son, chose not to join the family business but to start his own private accounting practice. As a result of estate-planning maneuvers, Bob and his sons each own equal shares of stock in the family company.

Bob's wife, Emily, raised their sons while Bob worked long hours in the business. "As children, they were very close," says Emily. "We always tried to treat them equally. Now they disagree with one another—and with Bob and me—at every turn. We stopped having shareholder meetings because they were too emotional. I just can't figure it out. What changed?"

"We should be treated equally," Stuart maintains. "My brothers benefit from the business while I do not. The problems would be solved if the company bought my shares. It's too bad that the business will have less cash if it buys me out, but it is the only way that is fair."

"As for me," says Sam, "I'll do anything to keep my parents happy—and my father and Bobby from arguing. That often means changing the subject when succession comes up in conversation."

"I'm frustrated," Bobby Jr. admits. "One day I'm in charge of this office, and the next day my opinion doesn't matter. The real problem is that Dad hasn't said what he wants."

Is there any hope for both peace and a successful transition of leadership in the Seymour family?

Seek True Family Harmony

Vivien Blackford, director of the Center for Management at the Institute of Living, in Hartford, Conn.:

The Seymours are not making progress developing a succession plan during family meetings because they are letting three common obstacles deter them. First, the premium they place on family harmony impedes ironing out differences that typically arise when the topics of ownership and leadership transition come to the fore.

Second, their emphasis on equal treatment may lead to the inappropriate use and compensation of family members, as well as unrealistic expectations. Third, Bob and Emily avoid making important decisions when they feel their solutions might disturb the fragile harmony among their sons.

Families like the Seymours have to be careful not to confuse the guise of calm interaction with true family harmony. Harmony is achieved when differences are recognized and worked out.

To attain real harmony, it helps for family members to acknowledge their different capabilities and points of view and to find ways to weave these together. In this process, the shackle of "equality" may need to be cast aside—for example, the family may have to face the possibility that since he is not active in the family firm, it may not be wise for Stuart to have an equal share in the business.

One risk of re-exploring the family in this manner is that it may bring tacit conflicts to the surface. However, such difficulties can be resolved only after they are articulated.

Bob and Emily need to play a strong role in this process. They should not be afraid to tell their sons what kind of future they want for themselves. This information can serve as a guideline within which the Seymour sons can negotiate with one another. Otherwise, the sons can only guess at their parents' wishes, and they will probably harbor conflicting expectations for themselves, for each other, and for their parents.

PHOTO: VANCE THRALL

Face Issues Squarely

Charles W. Murdock, professor of law at Loyola University of Chicago and partner with his wife, Moni, in Murdock & Murdock, a family-business consulting firm:

Bob made a flawed decision that is coming back to haunt him: He gave away a controlling interest in the company to his sons without knowing which sons would be involved in the business and without planning for his financial security and retirement.

From the standpoint of Bob and the other two sons, Stuart's stock is a gift that entitles him to very little in terms of compensation or having a say in the family firm. Since Stuart has his own business, he is not dependent upon the stock's value; for him, it is gravy.

However, Bob's stock must provide retirement income for him and Emily. For them, the value of Bob's interest in the business is meat and potatoes.

Bob may be able to accept a low value for his stock if a retirement plan offers him a consulting contract (coupled with a covenant not to compete with the business) when he retires. This would justify a low valuation for Stuart as well. Otherwise, Bobby and Sam will not be happy having the responsibility of running the business while at the same time having to pay off both Stuart and Bob.

To resolve this impasse, the family needs to face what its business legacy issues are.

Why did Bob give 25 percent to each son? Is the business legacy to provide jobs for family members? What entitlement does Stuart have? How can the business fund Bob's retirement? If Bob's retirement were secure, would he feel more comfortable discussing succession with Bobby and Sam?

Because of the existing tension, the Seymours may need a facilitator—a trusted third party—to help them address these issues thoughtfully.

But they must understand that avoiding the issues will not improve the situation.

This is one of a series of case studies of family business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Johnstown, N.Y.

SURVEY RESULTS

Readers Say No To Hiring Quotas

Replies to "Where I Stand" questions on job discrimination and other subjects.

Nearly 88 percent of *Nation's Business* readers responding to a survey said they oppose hiring and promotion quotas to combat job discrimination.

Stricter federal mandates to prevent workplace discrimination are opposed by 85 percent of those readers, and nearly 90 percent are against enactment of a requirement that work forces reflect population categories of the community at large.

Under a statistical-balance rule, for example, a company operating in a community where blacks made up 40 percent of the labor force would violate job-discrimination law if 40 percent of its work force was not black.

Readers gave their views in response to a "Where I Stand" survey on the need for additional job-discrimination mandates. The monthly poll seeks readers' positions on public-policy and economic issues. Results are sent to key officials in Congress and the White House.

Other recent polls have dealt with such issues as the rights of employers to hire replacements for workers on strike, federal highway policy, and the electronic monitoring of employee performance.

Legislation on all these issues is pending in Congress.

Job Discrimination: Advocates of tightened job-discrimination laws say they are needed to replace protections that were scaled back by U.S. Supreme Court decisions. Opponents argue that the proposals would effectively impose hiring quotas by requiring statistical balance between the composition of individual company work forces and the local labor pool and would make employers vulnerable to costly litigation and large damage claims.

Here are results of reader responses on the job-discrimination questions ("undecided" responses are not shown):

Do you believe that a tougher federal law is needed to discourage job discrimination? Yes: 12 percent. No: 85 percent.

Should damages assessed to punish employers in job-discrimination cases be limited or unlimited? Limited: 85.8 percent. Unlimited: 8.3 percent.

Should federal law require employers to achieve statistical balances between the available work force and their work forces? Yes: 6 percent. No: 89.5 percent.

Are hiring and promotion quotas an acceptable outcome of federal policies aimed at fighting discrimination? Yes: 6.5 percent. No: 87.9 percent.

Do you believe that intentional racial, religious, sexual, and/or ethnic job discrimination occurs in workplaces in your community? Yes: 38 percent. No: 47.9 percent.

Striker Replacement: The striker legislation now pending would prohibit employers from permanently replacing workers on strike. Employers may now do so in strikes over economic issues such as wages, but they may not do so if the walkout stems from a company's refusal to bargain in good faith or other employer-caused factors.

> **Opponents of the [job-discrimination] legislation argue that it would effectively impose hiring quotas by requiring statistical balance between the composition of individual company work forces and the local labor pool.**

The legislation is the AFL-CIO's major legislative initiative for 1991, and it is viewed as a major test of whether the labor federation retains the ability it once had to influence Congress.

In fighting the bill, business says that organized labor sees a ban on replacing strikers as an important recruiting tool in its drive to reverse the continuing decline in the percentage of workers who are union members.

In responses on that issue, nearly 75 percent of readers said that employers should have an unlimited right to replace strikers. Present restrictions were supported by 20 percent, and only 4 percent would prohibit hiring of replacements for any reason. Nearly 90 percent said that banning employers from replacing strikers would give unions unfair leverage.

Highway Policy: Pending legislation on highway policy is tied to the imminent completion of the interstate road network, on which construction began in 1956, with the federal government paying 90 percent of the cost of state links within that system and the states paying the balance.

In responses to the highway-policy survey, 95 percent of readers said it was important that the nation improve its roads and bridges, with a majority of that group agreeing that it was "extremely important." Only 4 percent said it was unimportant.

Nearly 60 percent oppose reducing the federal government's role in planning national highway systems now that the interstate highway system is virtually completed, while 35 percent favor such a reduction.

Readers were virtually split on the question of whether more responsibility for highway construction should be shifted to the states.

Electronic Monitoring: Electronic monitoring of employees' job performance is the subject of bills pending in the House and Senate. Sponsors say that employee privacy rights need protection, particularly in an era of increasingly sophisticated technology available for use in observation of individual conduct.

Pending bills would restrict all forms of electronic monitoring of workers and allow only collection of information relevant to job performance.

The business opposition to restrictions notes that electronic monitoring is often the only practical and cost-effective way to maintain quality control, to protect company and employee property, and to control such illegal conduct as theft and drug sales.

Nearly 70 percent said that monitoring was "very important" or "somewhat important" in the evaluation of workers; 67 percent said that employers should not be required to notify workers or customers when they are being monitored; and 76 percent expressed opposition to any ban on using electronically collected information in employee evaluations.

Nearly 65 percent favored advance notice to workers that they might be monitored electronically. NB

Business Software To The Macs

The virtues of Apple's Macintosh can extend to the business world with the Mac's new and improved software.

By Jon Pepper

The Apple Macintosh has only about 10 percent of the personal-computer market, but the innovativeness of its software has made it influential beyond its sales numbers.

Because all programs operate with the same basic look and feel, Mac users are able to pick up a new program easily after they have learned any other one. Mac software also offers a variety of choices that seems almost out of proportion to the sales of $613.6 million in Mac software in 1990 (out of a total market of $4.6 billion).

Says Steve Fair, an editor at Christian Science Publishing in Boston: "We went to the Mac because the software had superior graphics capabilities, was easier to use than PC software, and was much easier for training."

Although he was an expert on IBM compatibles, Fair switched to a Mac for his home office. "I got so tired of all the technical stuff that I had to keep track of with the PC," he says. "The Mac gives me the same level of power without having to learn all sorts of software ins and outs."

PHOTO: GREG FRIEDMAN—BLACK STAR

Superior graphics *and ease of use led Steve Fair, an editor at Christian Science Publishing, to choose a Mac for his home office.*

The following quick survey includes some of the best-selling programs and some newcomers. In some categories, there are clear favorites, while in others—like general accounting—it is difficult to make a bad choice among the several first-rate products.

Besides listing some general business applications, we have also covered some areas where the Mac has particularly strong software. These include desktop publishing, multimedia, and utilities.

This year, Apple came out with an upgrade of the Mac operating system. The new one, System 7, brings many new capabilities to the Mac, but also, for the first time, it means that older software will have to be rewritten to work with it. Macintosh users have not had to face incompatibility problems before; we have noted below when programs will work with System 7.

(For an excellent introduction and guide to the new operating system, we recommend *The System 7 Book*, by Craig Danuloff, from Ventana Press, Chapel Hill, N.C.)

Word Processing

Still the top business application, word processing is more than writing and editing on the Mac. You treat the document as a whole, seeing the way it will appear, and you can bring in information directly from other program documents.

Microsoft Word (Microsoft Corp., 1-800-541-1261): Word is the Mac's most popular word processor, and with good reason. It is packed with features, is capable of producing advanced layouts, and integrates not only with other Mac applications but also with PC versions of Word.

Basic features include an accurate on-screen representation of final output, including graphics, "style sheets" to format the appearance attractively, a way to create tables easily, a spelling checker, and a thesaurus.

There is also an ample graphics program (SuperPaint) for creating and incorporating drawings. List price is $395.

WordPerfect 2.02 (WordPerfect Corp., 1-800-451-5151): WordPerfect, the best-selling PC word processor, had a rough first attempt that was criticized for not being "Mac" enough in its interface. Version 2.02 remedies that with admirable graphics handling, a robust set of drawing tools, great color control, and a very strong macro feature that automates frequent procedures.

Graphics can be easily sized, scaled, cropped, and moved to any location, and all text will automatically reformat around these changes. A unique feature, called Watermark, lets an image be placed so that text and graphics will print over it.

Other notable features include automatic hyphenation, first-rate spelling checker and thesaurus, and file compatibility with WordPerfect 5.0 and 5.1 for DOS.

WordPerfect 2.1, not yet being shipped at press time, will be compatible with System 7. $495.

Desktop Publishing

Probably no application is more closely identified with the Mac than desktop publishing. The Mac helped define and create the desktop-publishing phenomenon, which in turn helped to legitimize the Mac.

Although the PC is now (finally) a worthy platform for personal publishing, the Mac remains the perceived leader among publishing professionals.

Aldus PageMaker 4.0 (Aldus Corp., 206-622-5500): PageMaker 4.0 is far and away the leading desktop-publishing application on the Mac. It was first to market and has grown into a truly magnificent program.

Version 4.0 includes powerful word-processing capabilities, including a spelling checker and a search-and-replace

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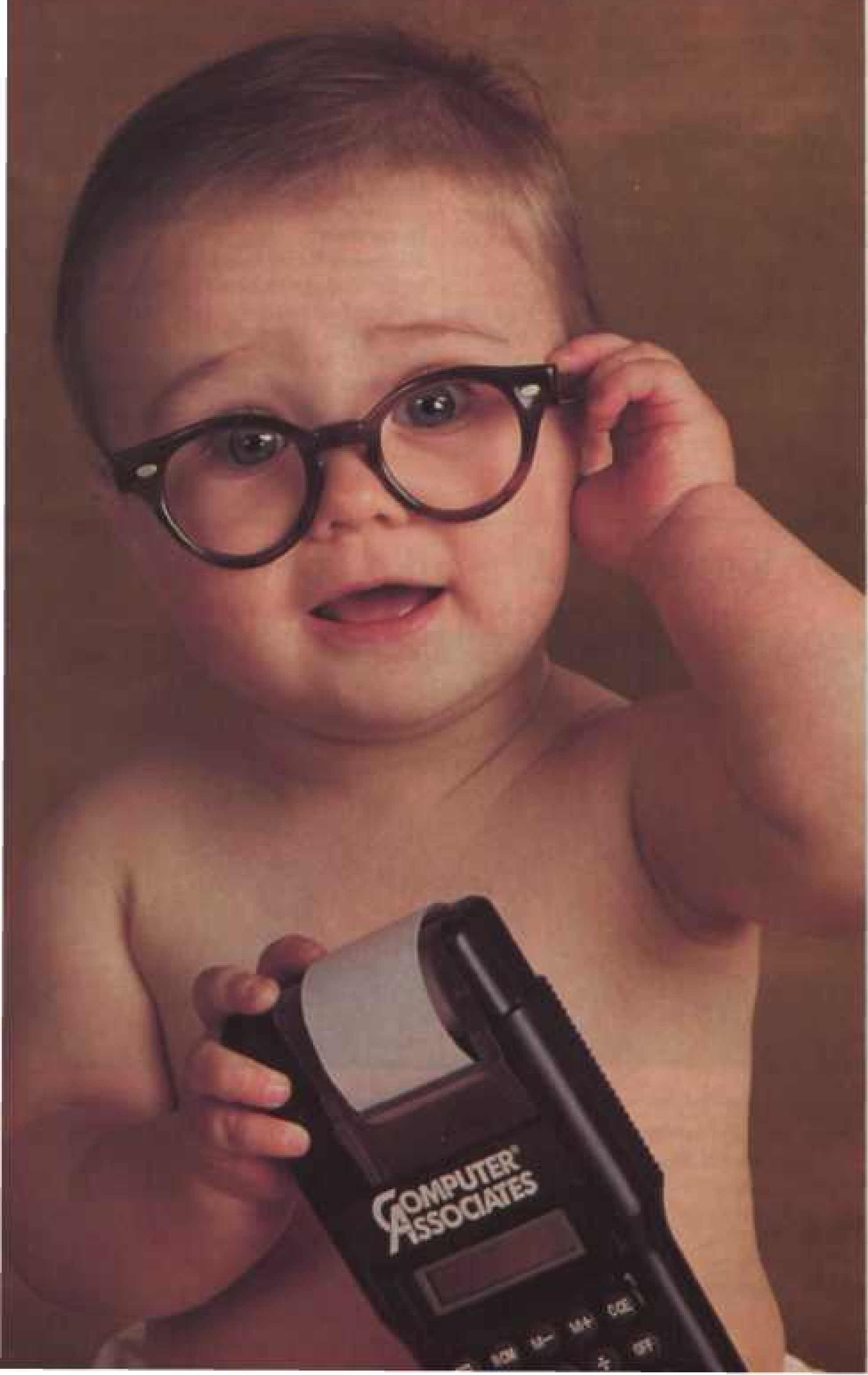

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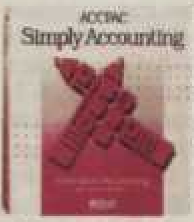

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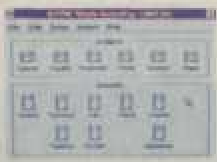

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SMALL-BUSINESS COMPUTING

feature that can find point sizes and styles as well as words and phrases.

Type controls let you rotate text, condense or expand type from 5 to 250 percent, and manually kern to one one-hundredth of an em. PageMaker will automatically generate a table of contents, create indexes, and combine multiple files with its Book feature, which handles chain-printing, page numbering, and so on.

PageMaker works seamlessly with Aldus PrePrint or other prepress color tools. $795.

Other notable desktop-publishing choices on the Mac:

QuarkXPress (Quark, 1-800-356-9363): QuarkXPress is not selling quite as briskly as PageMaker, but many publishing professionals feel that the program is better for professional designers than PageMaker. This is particularly true in the area of typography, where QuarkXPress has especially fine and sophisticated type tools built in. Color handling is also wonderful. $795.

ReadySetGo (Letraset USA, 1-800-634-3463): ReadySetGo offers a strong set of layout tools along with quite passable word-processing capabilities. It may lack the overall sophistication of PageMaker or QuarkXPress, but the price is hard to beat for those who don't need the most exacting publishing capabilities. $295.

Microsoft Word *teaches word processing step by step.*

Publish-It (Timeworks, 1-800-535-9497): Publish-It has a huge feature set, combining page layout, extremely varied integrated painting and drawing tools, a full-blown integrated word processor, a set of type tools, and more. A great value in an easy-to-use yet powerful product. $249.95.

Business Accounting

Business programs have never been the Mac's strong point, partly because it has been so strongly identified with graphics, whereas the first big PC program was a business spreadsheet, Lotus 1-2-3. But the Mac's consistency from program to program, data exchange capacity, and ease of use should encourage business people to try it. There are excellent accounting programs available.

Insight Expert (Peachtree Software, 404-564-5700): Peachtree's Insight Expert consists of six modules: General Ledger, Accounts Receivable, Billing, Accounts Payable, Payroll, and Inventory. Each module can be easily and completely integrated into the G/L module.

Features include automatic file backup, 14 different preset charts of accounts, full financial reporting, automatic check printing, and more. Modules are priced at $395 each.

Peachtree also has atOnce, which is not as fully featured as Insight Expert. Other excellent Mac accounting packages are **Great Plains Accounting** (Great Plains Software, 701-282-4826) and **Accountant, Inc.** (Softsync/Bloc, 1-800-993-2537).

Spreadsheets

Microsoft Excel may have a hammerlock on the Mac spreadsheet market, but there is other competition.

Informix Software's **Wingz** is an excellent program, and Lotus will be shipping a version of 1-2-3 for the Mac soon. We

also suggest checking out the following program, from Claris.

Resolve (Claris Corp., 408-727-8227): Resolve provides adequate spreadsheet performance, a good mix of standard features, and a straightforward, tidy interface. This helps make it appealing to first-time or inexperienced spreadsheet users. Good support and a fairly competitive price make Resolve worth a look. $399.

Mac users are able to pick up a new program easily after they have learned any other one.

Multimedia

Multimedia is in its infancy. Because it combines images, motion, and text in one program, it seems well suited to the Mac.

Director (MacroMind, 415-442-0200): MacroMind Director currently defines the state of the art in terms of Mac multimedia software. Several modules combine to make the product fairly easy to use, while not sacrificing power. Major features include 24-bit color, full animation, special effects, sound, storyboards, and control of external devices, including video and CD ROM. $695.

Miscellaneous And Utility Software

Grammatik Mac (Reference Software International, 415-541-0222): Style and grammar checking come to the Mac with Grammatik Mac, which checks for punctuation, spelling, usage, style, and general grammatical errors. The software flags errors automatically and offers alternatives for correction. System 7 compatible. $99.

StuffIt Deluxe (Aladdin Systems, Inc., 408-761-6200): StuffIt Deluxe, a compression and archiving utility, can effectively double hard-disk storage by reducing the amount of space used for each file. Individual files, folders, or disks can be dropped on top of the StuffIt Icon, and they will be compressed by an average of 50 percent.

StuffIt Deluxe, which is System 7 compatible, works with most other Mac software, allowing for remote-control operation and scripting of automatic compressions and archiving routines. $99.95.

Informed Designer (Shana Corp., 403-463-3330): Informed Designer is a comprehensive forms-design package that makes designing of forms much easier than it is with conventional page-layout software. The package includes a full set of drawing tools and commands developed for form design, as well as features like spot color support, object rotation, and precision to one one-thousandth of an inch. $295.

Word Finder Plus (Microlytics Inc., 1-800-828-6293): This upgrade to the popular Word Finder program is an electronic thesaurus with more than 1 million synonyms.

One notable new feature is autoinflection, which provides for synonyms in the appropriate form (e.g., "surveyed" for "examined").

The software is compatible with System 7 and HyperCard 2.0. $69.95.

MacLinkPlus 5.1 (DataViz, 203-268-0030): The potentially vexing problem of translating files from different Mac programs to or from different PC formats can be solved by MacLink Plus/PC version 5.1. The product, which ships with all necessary software and cabling, includes more than 350 different translators that work in both directions, and the program can operate from either a PC or a Mac. NB

MANAGING

Criticism Without The Sting

Here are tips to help you criticize employees' work instructively without attacking them personally.

By Robert McGarvey and Scott Smith

Ask training specialist Judy Anderson for a professional horror story—an example of how *not* to criticize an employee—and she easily obliges. She tells about the manager who "flew off the handle" with a receptionist for chronically typing letters in an incorrect format.

Why was the manager's method off-base? Simple, says Anderson: "The receptionist didn't know the proper format. Nobody had bothered to teach her. Worse, nobody took the time to explore with her the 'why' behind her goofs."

Anderson, director of training and development for Snyder's Drug Stores, Inc., of Minneapolis, says that although "we usually think workplace criticism is a snap to give, it isn't. Criticism is terribly hard to give properly."

ILLUSTRATION: WILLIAM COULTER

Consultant Hendrie Weisinger of West Los Angeles says that "maybe two out of 10 people are good at giving criticism naturally." Nonetheless, "criticism is a very learnable skill," says Weisinger, author of *The Critical Edge*, a book on effective criticism. In fact, he says, criticism is "the most important managerial skill—it is the way we learn and teach."

When criticism is done poorly, an employee's performance not only may remain unimproved but even may deteriorate, says Robert Baron, a professor of management at the Rensselaer Polytechnic Institute, in Troy, N.Y. "The results are up to the manager. How he or she delivers his criticism to an employee will directly shape the employee's response."

Offer criticism that also sends a positive message, however, and there's a different, happier ending. "Few of us enjoy hearing how we've failed to do our jobs," says Judith Schuster, an independent consultant on human-resources matters, in Philadelphia. "But if the criticism teaches us a better way, we're likely to improve. Virtually all employees want to do good work, and, properly crafted, criticism shows them how."

If there's a rule for effective criticism, it is: Don't attack. Michael LeBoeuf, an independent management consultant in New Orleans, says that if you attack an employee—with verbal blows like "how could you be so dumb!"—"he'll become defensive and won't listen, because he's busy preparing a rebuttal. He is not going to get your corrective feedback." The rule should be, he adds, "to criticize the work, never the worker."

To make sure you do direct your criticism at the work, not the person, you could follow the advice of Roger Flax, president of Motivational Systems, in West Orange, N.J.: "Practice sympathy. Imagine that somebody else is saying the criticism to you." When he shows managers videos of themselves giving criticism, their typical reaction, he says, is, "If somebody talked that way to me, I'd walk away." Flax adds, "Of course, when they feel that way about their own criticism, imagine how their employees must feel."

Robert McGarvey is a free-lance writer in Venice, Calif. Free-lance writer Scott Smith is in Thousand Oaks, Calif.

Here are some more techniques from experts for criticizing properly:

Do not threaten. Wilford D. Godbold Jr., CEO of Los Angeles-based Zero Corp., a metal-container manufacturer, says a threat "sends a clear message to the employee that you have little confidence in his or her willingness to change. This will destroy any positive attitude you are trying to develop."

Offer a growth opportunity. "The crux of effective feedback is persuading the employee that you're trying to be helpful," says Rensselaer's Baron. "The person must believe he is being helped to be better. Implicit in your criticism should be what's in it for him, and the benefit cannot simply be that you won't criticize him any more." But if you cannot think of what the benefit is for the employee, hold your tongue.

A sure strategy is to appeal to the worker's pride, says LeBoeuf. "Say you are sure he or she is capable of doing even better than they already are. They'll like hearing that—and they'll also sincerely want to improve."

Don't dwell on the past. "Often, in criticizing, managers harp on the past," says Jerald Jellison, professor of psychology at the University of Southern California. "We tell the employee over and over what he did wrong. We say 'Why did you do that?' so much that the superficial meaning that we want to know is overridden by the real meaning of 'How could you be so stupid?'" Instead, be "future-oriented," says Jellison. "Focus on what you expect from the employee in the future. That shifts the emphasis from the negative and entirely into the positive."

> **Virtually all employees want to do good work, and, properly crafted, criticism shows them how.**
>
> —Consultant Judith Schuster

Stick with the facts. "Don't depend on rumor or guesswork—get your facts straight, and document them," says Bob Crossley, director of human resources for International Microelectronic Products, a semiconductor maker in San Jose, Calif. "Do not let preconceptions about an employee color your judgment." If you jump on a certain employee for an engineering error when, in fact, it was another employee who was at the controls, your criticisms of all employees could be seen in that mistaken light for a long time.

Listen. "Criticism is most effective when it is a dialogue with both people contributing, rather than a monologue, where only the critic talks," says Judy Anderson.

Be direct. Frequently, in lieu of criticism, we'll "use indirect communication—we give offending subordinates the silent treatment or make snide comments like 'I want everyone here tomorrow at 8, if that's not too much trouble for *you*, Joe,'" says Jellison. "When we are indirect," he explains, "the employee becomes confused ('What did I do?') or angry. Indirect criticism is guaranteed not to produce the results you want."

Keep it private. "Always criticize in a private place," says Crossley. Criticism that others hear can destroy morale and embarrass all. Try to deliver criticism in the employee's own office—he's apt to feel less intimidated there—or "find somewhere you can not only not be heard but preferably not be seen by other employees," he says.

Don't wait. "Take care of a problem as soon as it comes to your attention," advises Michael Dunaway, CEO of San Diego's Psicor, Inc., a cardiovascular-services company. "Otherwise it will only get worse."

Follow through. Once the criticism has been spoken, don't think the job is done, warns Dunaway. "Follow-up is essential for results." To increase the likelihood of achieving the results you want, says Weisinger, "ask the employee to sum up the understanding you have of what needs to be done. Set a deadline for change, and check up on progress, offering help where needed."

Re-examine management. If you find you use this advice too frequently, that may indicate a problem. "If you constantly have to criticize employees, you need to look at the fundamental way the company is being run," says Godbold. "Your goals may not have been communicated, the training may be inadequate, or you are hiring the wrong kind of employees. Management should not be a continuous firefight."

Rehearse. "Rehearse, and rehearse more," says Weisinger, who advises that we carefully play out criticism in our minds before delivering it. "See yourself—what you're saying—how the employee is responding," Weisinger says. If you fail to take this precautionary step, he says, "in the heat of the moment, you are likely to revert to old, unproductive styles. That won't happen if you've rehearsed. What will instead happen is that you and your employee are apt to walk away from the meeting feeling good, and, afterwards, results will follow. That always is the test of criticism, and when you've practiced, you virtually can guarantee the test will be passed." NB

To order reprints of this article, see Page 85.

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MANAGING

How To Write For Money

Avoid these flaws in your business plan so that it can help you acquire the capital you need.

By John Coker

Your business plan is supposed to help you accomplish several goals: raise capital, focus management, uncover strategic opportunity, and provide a benchmark for measuring your success. But a plan that focuses strongly on management planning may be flawed as a means to attract capital.

Your success in finding the capital for your business is likely to hinge on the quality of your formal business plan.

The venture-capital community has long used business plans to sort through investment opportunities. Today, however, capital investors and lenders alike are rejecting plans at a dramatically increasing rate. In fact, most commercial banks, for the first time, are requiring high-quality formal business plans even for modest loans well under a million dollars.

So it's important that you examine your financing plan to make sure that an otherwise good proposal does not fail because it is out of focus for its purpose.

The flaws that can sink a plan fall into four principal areas: strategy, management, focus, and quality of writing.

Strategic Flaws

Confusing strategy with tactics. Most business managers recognize that a business plan for financing must focus first on strategy. Managers who have not defined and articulated their core business strategies may, when forced to write about strategy, discuss tactics instead.

For example: "The company will place full-page advertisements in each Sunday newspaper" is a tactic, not a strategy. It does not explain what makes the company special, how it will protect its niche, or how it will defeat its competition.

The tactics may be on target, even brilliant. But if the document reveals you are focusing on tactics over strategy, it also reveals something about how the business will be run.

Competing on price. When a business plan states that the cornerstone of its marketing strategy is to offer a product already in the market for a lower price, the potential investor will regard the strategy as naive. Companies already strong in a market will reset prices low enough to beat back new entrants.

Competing on price overlooks the crucial elements of marketing strategy: product differentiation and distribution exclusivity. Investors are usually unwilling to bet that an emerging company can build the same mousetrap so much cheaper that it drives the competition completely out of the market.

Promising too much success. The danger here derives from the fact that you are setting the terms of your own success. You have to live up to your projection, or you may lose the business to the investor. If the projected results demonstrate that the business can comfortably repay the investor and leave an attractive return for the owners, don't escalate them unnecessarily.

Flaws In Management

Projecting unmanageable growth. Even executives who successfully manage large organizations are often ill-prepared for managing rapid growth in smaller companies. Projections in which sales double or triple annually will cause the potential investor to question vigorously and skeptically management's abilities to control such an organization.

Overpromoting key people. Intangibles alone, such as the hard work of key employees, will not make a business competitive. If a founder says so, the investor will think the founder has run out of intelligent ideas before convincing even himself that the plan is sound.

Promoting the one-man band. A business founder naturally wants to demonstrate that he or she has skills in all necessary managerial areas: finance, marketing, and operations. The investor will assume that one or more of these areas will be neglected, however. The investor is likely to be much more favorably impressed with a team of professional managers, each with skills in one key area.

Suggesting dramatic outperformance of industry averages. You project that your bad-debt losses will be half the industry averages and that you will achieve this through more careful credit analysis. This suggests that somehow the company has cornered the market on smart credit managers and that the competition fails to work hard at collection. Not likely.

Underestimating capital needs. Three things—all bad—can result from underestimating your capital needs. First (and most probable), the potential investor will recognize the shortfall and figure you are naive. Second, the investor will recognize the shortfall and think you are being deceptive. Third, the investor won't see the shortfall and will give you the money. This may prove to be the most disastrous; the investor can renegotiate a much tougher deal when management returns for more capital.

Management should consider every capital-consuming activity and then add a cushion or contingency to its capital budget.

Flaws In Focus

Confusing equity and lender needs. Often the founder will prepare a business plan from his or her own perspective—an equity owner's. The plan will be out of focus to a banker if it is used in a loan application. It will dwell more on growing the business than on repaying the loan; it will focus on making profits rather than servicing debt.

John Coker is a business-planning consultant with Potomac River Advisors, in Washington, D.C.

Creating unconvertible assets. The last thing a banker wants to read is that his collateral has no value outside the company. You should plan for the worst case and include in your plan such tactics as developing generic facilities, using general-purpose computers, and acquiring industry-standard equipment. The owner is not prepared for a banking partnership until he can remain unemotional about making the bank whole even if the business fails.

Emphasizing capital-consuming growth. The investor wants to see that his capital will make a handsome business, not that fabulous growth will consume ever more capital. He would rather have the reinvestment decision available to him, not foisted on him by the needs of the company. Concentrate on proving the business in one geographic region, with one product line and one distribution channel. Let downstream investors fund the downstream growth.

Preserving subordinated debt. Founders who have lent to the business may offer to subordinate their position to a bank loan under the theory that the banks will be satisfied so long as they have first call on the collateral. But subordinated lenders are viewed by bankers as an undesirable nuisance in difficult times. The second-tier lender often can get out first at the expense of the senior bank. Bankers today will be much more comfortable with business plans that require the conversion of subordinated debt into equity.

Writing Flaws

Too many cooks. All senior managers should be involved in the business-planning process, but they should not all write pieces of it.

One person should write it to keep tactics consistent, the focus clear, and the prose style homogeneous.

Once over lightly on the "Use of Proceeds." Most potential investors scrutinize the "Use of Proceeds" section of the plan. If this section is loosely or poorly written, the reader categorizes the venture as somewhere between a rudderless ship and an outright scam. Know how you're going to spend the funds, and be sure the investor knows as well.

Wearing rose-colored glasses. What if marketing-growth projections are cut in half or the cost of construction is higher by 25 percent?

The reader wants to know that you have contingency plans in case your key assumptions change by 25 percent or even 50 percent.

A worst-case scenario should be part of your plan.

These are by no means all the flaws that can derail a business plan. If you avoid them, however, by trying to see your plan from the perspective of the investor, you will help yourself to see the strength of your assumptions, and the fundamental soundness of your business concept.

In the end, that approach will prove that you have the management skills to succeed, and you will convince your investor as well. NB

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ECONOMIC DEVELOPMENT

Partners In Promotion

In trying to attract companies to their states, economic-development agencies are getting more help from business—and getting results.

By Harry Bacas

Although Janet Pennington is a community-development consultant for a Shreveport, La., utility, you could be forgiven for thinking of her as a missionary. Pennington works for Southwestern Electric Power Co., and she travels throughout its service area—northeast Texas, northwest Louisiana, and western Arkansas—meeting with executives and officials in mostly rural towns of 2,000 to 5,000 people. Her mission, she says, is to help those small cities "realize their economic opportunities."

The carrying power of her message becomes evident in places such as Winnsboro, Texas, where major changes for the better have taken place since the city encountered Janet Pennington. In the past year, Winnsboro—a once-depressed town of 3,000, two hours' drive east of Dallas in an area of rolling hills, oak forests, lakes, dairy farms, ranches, and oil-service companies—has blossomed with new business.

The change started when four people from Winnsboro drove to Marshall, Texas, as guests at a management conference that Pennington was putting on to discuss economic development. Forty towns in northeastern Texas sent representatives.

The Winnsboro delegation took to heart what they heard there. They returned home from the conference with their sleeves rolled up and with such fire in their eyes that in four months the city had signed a deal to bring in a $20 million milk-processing plant employing 100. A home-health-care company established its regional headquarters there. Another company opened a plant to build electric wiring harnesses for trucks. More deals are on the way.

In one year, the city's sales-tax revenues climbed 64 percent, and the unemployment rate fell below state and national averages.

It's a success story that is being repeated elsewhere across the country as state development agencies, sometimes strapped by budget constraints, rely increasingly on the help of private companies and individuals to advance the cause of economic development. It's a role that public utilities such as SWEPCO have played for years with agents like Pennington, who was trained at the Arkansas Industrial Development Commission.

PHOTO: ©JOHN R. FULTON JR.

Selection of Winnsboro, Texas, *for a new milk plant—managed by Kenneth McDaniel, second from left—resulted from efforts by community leaders such as Tom Pendergast, Ronny Knight, and Jerry Hopper.*

"She put on a superb meeting" in Marshall, says Jerry Hopper, one of the four Winnsboro executives who attended her management conference. "Her program was aimed at smaller communities like ours, and it really focused our minds on the key to economic development for a small city," he says. "We saw that you've got to inventory the assets you have, then package them appropriately and market them."

Hopper is executive director of Presbyterian Hospital in Winnsboro, a modern, 50-bed facility with nearly 30 doctors and serving five counties. The day he went to Marshall, he also had just been elected president of the Winnsboro Chamber of Commerce, and his first act on taking office had been to appoint a committee he called "The Leading Edge."

For years, Winnsboro had had little success in trying to attract new business to offset the painful consequences of the Texas oil recession. Time and again the city had come close, only to see the prospect slip away. The new committee's goal, Hopper said, would be to "close the deal!"

Hopper's colleagues on the trip to Marshall were the committee's chairman, Tom Pendergast, publisher of the town newspaper; Dan Hubbell, the mayor; and Ronny Knight, a Winnsboro native and SWEPCO's local manager.

Pennington told those at the conference that community development could be a slow process, maybe taking years. She said it required a strategic plan, team training, and hard work. She said SWEPCO could help them with prospects, training, and marketing materials. And she quoted the words of a recent marathon winner: "The will to win means nothing without the will to prepare."

On the drive home, the Winnsboro group decided their first task would be to take a new, hard look at their city. "When we did that," Hopper says, "we found we had abundant water, good land, effective waste-water treatment, an educated work force, churches, a new hospital, a progressive city government, good fire and police departments, good highways—but no one had ever sat down and looked at them and put them in a package.

"We said, 'We have everything to offer. People just don't know about us.' "

Then they heard from a local dairyman that he had heard American Milk Producers, Inc., the nation's largest dairy coop-

South Carolina *development expert Fred Gassaway helped Golden State Foods' Tim Heskett find a warehouse site.*

erative, based in Arlington, Texas, was thinking of looking for a site in the northeast part of the state to build a plant to make cheese, butter, whey, and other milk products.

Ronny Knight, the local SWEPCO manager, started investigating. He learned the milk company was eyeing a much larger town (which happened to be outside his company's territory).

"We called Janet," Knight says, "and asked her how we could go about making a forceful and professional presentation for our city. She said to first make sure we had our information together, all the facts on water and sewer capacities, tax rates, transportation, all those things."

Then, she told him, call the milk co-op's southern regional headquarters, also in Arlington, and try to learn the company's criteria for a site.

"So I phoned Paul Walter at AMPI," Knight says. "I had been told he would be the one to make the decision. And one thing he told me was, 'I don't think you know how much water we need.' I told him we get our water from Lake Cypress, which is spring-fed, and we have a new water plant with excess capacity.

"After that, we started faxing him information on utilities, on transportation, on taxes, on the availability of land. They wanted 250 acres. We found a 279-acre tract that had been in the same family for more than 100 years, but whose owner had died the year before; we started negotiating with the heirs. We followed with a formal letter assuring Walter we could meet all his criteria.

"Finally, he made a date to visit us. Then, several days before he was due, he called one morning and said he could come at 1 o'clock that day. Well, we had to hustle to get ready."

Tom Pendergast had prepared a study of the local dairy industry (29 percent of all the dairy cattle in Texas are within a 30-mile radius of Winnsboro).

Jerry Hopper gathered up his battery of town statistics. "I prepared the same way I prepare to go before my hospital board," he says. "I put myself in Paul Walter's position and asked, what criteria does he have? Then I wrote the criteria on the blackboard. I listed all his wants, then I matched them, one by one, with what we had to offer in Winnsboro."

The group produced aerial maps, assessment figures, and a signed agreement from the owners of the tract stating they would sell it.

Walter and his two engineers stayed in Winnsboro for four hours, touring the town's streets and parks after the meeting. They also raised a lot of questions.

To get some fast answers, Ronny Knight arranged for a SWEPCO plane to fly the Winnsboro group to the state capital in Austin.

They discussed with the Texas Department of Commerce how they could use the city's designation as a reinvestment zone to permit a 10-year property-tax abatement on improvements to the factory site. They put in applications for state training funds and a state grant to help pay for sewer connections.

Two months after the committee started working on the project, they got the answer they wanted. The giant milk co-op announced it would build its plant in Winnsboro. The committee had "closed the deal."

AMPI opened its 120,000-square-foot plant last summer. It started operations with 60 employees and expects the number to grow to 100. Annual payroll will be about $1.75 million, and the business is expected to attract a number of support industries.

Jerry Hopper still works for the hospital, but he now has another job, too. Winnsboro voters elected him mayor.

Janet Pennington says Winnsboro is an example of towns that "have reached an important goal of mine and of the community-development program. They are becoming self-sufficient. They don't necessarily wait on SWEPCO to provide a prospect. They have developed and capitalized on their own opportunities."

A. David Harrington, director of the Arkansas Industrial Development Commission, where Janet Pennington trained, says utilities are most effective when their development activities are coordinated with state agencies. "A utility by itself can't do recruiting," he says, but it "can bring contacts into the grid."

Arkansas' economic-development program is one of the more advanced in the country. For example, it maintains a computer base full of statewide information such as company profiles, industry profiles, and site and building data, and it makes this data available to its utilities.

New York is setting up a similar statewide computer network, to be completed by the end of this year. It is designed to give the state's 10 regional economic-development offices instant access to a compendium of information on prospects, companies, sites and buildings, tax incentives, and county economies.

The program is being funded by an unusual settlement in a utility rate case. When the state's public-service commission found that Niagara Mohawk, a utility in upstate New York, had overcharged customers $4 million, it agreed that,

The 18-year-old Kansas Cavalry, *a private, all-volunteer group commanded by banker Howard Loomis, enlists business people in vital economic-development battles.*

rather than making thousands of individual refunds, the company would devote the money to economic development. It would form a three-way partnership with New York's economic-development department and the state's economic-development council.

"This is not substitution money," explains William Graper, New York's regional-development director. "It [makes possible] projects we would not otherwise be able to do. Some projects have come from their side and some from ours." The state contributes technical assistance, research, and marketing initiatives.

Ed Kearny Jr., director of economic development for Niagara Mohawk, says the utility "welcomed the partnership; it's been fun but difficult."

In recent years, overall employment in Niagara Mohawk's 24,000-square-mile service area has risen, especially in retail and service industries, but manufacturing—considered a magnet because it attracts supporting industries—has dropped. So one group to be targeted by the new marketing campaign will be manufacturing companies that might be interested in locating in upstate New York to pursue opportunities under the U.S.-Canada free-trade agreement.

Having these calls on business people made by their peers—other business professionals—is the most important aspect of the cavalry.
—Howard Loomis, Commanding General, Kansas Cavalry

In South Carolina, a partnership between utilities and the state's development agency has been growing by mutual accord. A group of 15 electric cooperatives and the state authority that generates power for them once had separate economic-development divisions. Two years ago, the co-ops and the state authority set up the Palmetto Economic Development Corp. to take over that work.

Funded equally by the two organizations, Palmetto is a private, nonprofit company. It occupies space in the building in the state capital—Columbia—where the South Carolina Economic Development Board is located, and there is daily interchange between the two staffs.

"The board is the quarterback," says Fred Gassaway, Palmetto's executive vice president. "We share information and give mutual support; they give direction and initiate most projects. We are also part of a network that includes railroads and gas companies and other private organizations with their own marketing departments and site programs. Of course, when it comes to recruiting new business, we all cast our nets out there on the waters."

Palmetto's parent cooperatives make up Central Electric Power, and they cover 35 of the state's 46 counties. The publicly owned authority that supplies their power is known as Santee Cooper.

Palmetto generally leaves the bigger prospects to the state board, focusing instead on smaller companies and those that employ energy-intensive processes. But Palmetto did deal with a billion-dollar operation when it assisted Golden State Foods to find an expansion site in South Carolina.

Golden State, based in Pasadena, Calif., is one of that state's 30 largest companies. It is an exclusive supplier of everything from buns and hamburger patties to catsup and barbecue sauce to McDonald's restaurants across the country.

The company's distribution centers in Atlanta and in Greensboro, N.C., were reaching capacity, and Tim Heskett, division manager, says the company needed to create a new center somewhere in South Carolina to cover the area from Savannah, Ga., to Greenville, S.C.

Fred Gassaway learned Golden State's site requirements and asked about the company's other needs. Availability of transportation, abundant water, and a competitive work force were among the priorities.

Golden State's planning and development engineer came out from company headquarters, and Gassaway took him and Heskett on several helicopter flights to look at locations.

Golden State chose a 30-acre site in Lexington, S.C. Then Gassaway put together an itinerary for Heskett to meet state and local officials. Gassaway also coordinated negotiations with the county for water, sewer, and highway access.

The distribution center now supplies 200 McDonald's restaurants from Savannah to Greenville. It employs 100, most of them hired locally. And since the center uses the Penske Co. to lease and maintain its trucks, it is responsible for bringing another business—with 25 or 30 employees—to the area.

Private-sector organizations much smaller than utilities, of course, also help their states' development agencies. The Kansas Cavalry, for example, is made up of 300 individual business men and women who have enlisted for service in "the business-reconnaissance arm and economic-development patrol of the state of Kansas," as the group describes itself. Its

mission is to call on business prospects outside the state and to conduct in-state tours for them.

All the members of the Kansas Cavalry are volunteers, and they pay all of their own expenses.

The Kansas Cavalry serves under a commanding general, who is appointed by the governor and is assisted by regional commanders. "Everybody else is a colonel," says Commanding General Howard Loomis, president of The People's Bank in Pratt, Kan.

Ken Evans, marketing director of the Kansas Department of Commerce, says the cavalry idea was born after a successful trip to Japan in search of reverse investment; several business representatives played an important role in that effort. Evans says, "Kansas decided that with smaller resources for economic development, we needed to leverage our dollars, and that business was going to have to take the lead."

On a typical trip, a dozen or so cavalry members go to the target city with state Department of Commerce staffers. They split into small groups to make calls set up in advance by the department. Their mission is not only to talk about Kansas as a great place to do business but also to find out from their business hosts what their particular needs and interests are. Loomis says that "having these calls on business people made by their peers—other business professionals—is the most important aspect of the cavalry."

The cavalry also goes along when the state commerce department stages industrial tours in Kansas for groups of invited business executives.

A construction-equipment manufacturer in Ontario, Calif., was so impressed by the cavalry on his visits to select a plant site in Fort Scott, Kan., that he joined the cavalry himself, although he is still based in California.

"They were wonderful," says another businessman, Allen Wolf, senior vice president of Pro Tel Marketing, in Lansing, Ill. He was planning to open a second telemarketing service bureau and had agreed to take a Kansas tour. The cavalry members "came to visit me early one morning a week before I was to go on my tour," he says. "One was the president of a bank outside Wichita, the other was vice president of a community college.

"I told them the history of my company. They told me about Kansas, what a good place it was. Then I took them on a tour of my facility and introduced them to the principals of my company."

The following week, in Kansas, Wolf's guide was Melissa Nebelsick, the state industrial-development representative who had arranged the cavalry visit to his office. Nebelsick met him at the Kansas City airport and drove him to Wichita, Topeka, and back to Kansas City. Wolf recalls: "I finally said to her, 'Look, this is great service, but you haven't asked me for a profit-and-loss statement or anything else about my company.' She said, 'That's OK. The Kansas Cavalry gave us a good enough report.' "

In each city they used a van to tour sites and visit offices. Cavalry officers went along and assisted at each stop, offering comments and answering questions.

Wolf's company decided to put its new phone center in a shopping mall. The phone center opened earlier this year and already employs more than 100. Wolf says the number should rise to 250 in the coming year.

"Those cavalry people really were well-coordinated," Wolf says. "The way they worked with each chamber of commerce was very smooth, but down to earth."

Just as much as Janet Pennington, serving her utility's economic-development goals in Arkansas, Texas, and Louisiana, the men and women volunteers of the Kansas Cavalry are their state's missionaries for the cause. NB

The Best Defense Against Pollution

Many small firms find that preventing pollution through environmental management can pay for itself.

By Bradford McKee

Every dollar that Al Karg spends in his job as an environmental manager is an expense that brings in no income. So he is always looking for ways to spend each dollar more effectively.

Karg, employed by Diceon Electronics Inc., in Nashua, N.H., tracks the amounts and costs of chemicals the firm uses to clean waste water. This enables him to see if an alternative chemistry—ideally, one that would work with less-toxic results—would be more cost-effective. Recently he found a chemical process that cuts the company's water-treatment costs by more than two-thirds, for savings of about $83,000 a year.

Also, the new process saves Diceon about $15,000 a year in waste-handling fees. Because the more-concentrated sludge generated by the new system contains more reclaimable metals, Karg explains, the waste-removal company charges Diceon $200 per ton, or about half the regular fee, to take it away.

As environmental-compliance costs go up, a lot of small and midsized companies, like Diceon, are viewing waste—hazardous or not—as inefficiency, and they are taking steps to prevent it. Small businesses are finding that preventing pollution through environmental management can pay for itself quickly and bring some unexpected benefits.

In many companies as recently as a decade ago, Karg says, "management didn't concern itself with environmental affairs." Such matters generally were left to engineers as long as managers and directors "didn't get bothered by the lawyers," he says. Today, however, a company's environmental performance is a major part of its public image, and corporate officers can be held personally liable for their companies' environmental crimes. The new provisions of the Clean Air Act, for instance, raise "knowing" or "intentional" violations to felony offenses punishable by prison terms of up to 15 years and fines of up to $1 million. (For more on penalties for violating federal regulations, see "A Criminal Trap For Businesses," in the September *Nation's Business*.)

Enforcement is spotty, but smaller companies increasingly are targets of environmental regulators, says Patrick Parenteau, a Portland, Ore., environmental attorney and a former official of the U.S. Environmental Protection Agency. In addition, most major environmental laws allow citizens' suits against polluters on behalf of the government.

Major industrial sources of pollution largely have adopted many of the latest environmental controls, Parenteau says, but air and water quality still fall below what is acceptable under federal law in many regions. Thus "the regulatory juggernaut is moving toward smaller and smaller sources" of pollution, he says. Small businesses are finding the best way to cope with this trend is to prevent pollution in the first place.

Preventing pollution usually starts with a physical examination, or audit, of a company's environmental status. The audit begins with a survey of the firm's equipment, production process, paperwork, and waste-handling methods. If an audit turns up toxic spills, leaks, or waste, the consultant typically recommends remediation, or cleanup.

An audit can be central in improving housekeeping and stopping pollution at its source—and in helping a company meet tougher environmental standards, as a North Carolina textile plant discovered. United Piece Dye Works Ltd., in Edenton, found itself under strict new rules for nitrogen and phosphorus discharges in 1983. North Carolina's rigid new limits were meant to stop blooms of algae in the

PHOTO: ©RICK FRIEDMAN—BLACK STAR

Diceon Electronics' *environmental manager, Al Karg—with treated waste water in the beaker and sludge at his elbow—searches for ways to prevent pollution.*

nearby Chowan River. Harold Lloyd, technical director of the plant, says the plant was "considerably above" the new pollution limits.

Lloyd knew of several ways to treat the factory's discharge to take out the phosphorus content, but all were "complicated, costly, and hard to maintain," he says. He initiated an audit at his plant, seeking substitutes for phosphorus in the textile dyeing and finishing process. Replacing phosphate chemicals with nonphosphate substances reduced the factory's phosphorus discharge sevenfold, bringing the firm into compliance at no major cost.

Lloyd says he had to educate his vendors about the substitute materials he needed. And trials of the new chemicals were not problem-free. "There are areas where [the new process] is a compromise—the best products happen to be phosphates—but we just had to do the best we can," he says. "We found that eliminating the source of [pollution] is better than trying to doctor the problem."

PHOTO: T. MICHAEL KEZA

A pond aerator, *part of a new waste-water treatment system for United Piece Dye Works, takes shape under the eye of Harold Lloyd, technical director.*

Sometimes a company finds that changing the materials used in the manufacturing process isn't enough to prevent pollution, and more-radical—and even financially riskier—changes must be made in the production process itself.

The Robbins Co., a small plating firm in Attleboro, Mass., had been cited in 1985 by the state's Department of Environmental Quality Engineering as "a major polluter" along the Ten Mile River, says the firm's environmental manager, Paul Clark. The company had antiquated pollution controls, he says, and when it would dump waste water laden with heavy metals into a nearby brook, it often violated the terms of the discharge permits it had obtained from the state environmental agency under the Clean Water Act. (A violation of the federally mandated permit occurs when testing—done by the company or by any interested party—shows that pollutants discharged into a body of water exceeded the levels allowed in the permit.) Robert E. Chatel, president of Robbins, says the company believed "we were doing everything we could to comply [with environmental regulations] at the end of the pipeline, but it was increasingly difficult."

Enter Paul Clark. Soon after taking the newly created environmental post at Robbins in June 1985, he observed that the company's outdated water-treatment system wasted water. The system swallowed 100,000 gallons of water per day in 1984, but by 1986 the company had cut its use to 12,000 gallons per day.

Clark felt sure the company could get by with still less water, though he expected resistance from the platers. He furtively began closing the water valves a little each night without telling anybody except one top manager. "I hated to do it that way," he says, "but sometimes you have to get sneaky." He promised the manager he would reopen the valves if production suffered. It did not.

President *Robert E. Chatel and environmental manager Paul Clark in front of the Robbins Co.'s closed-loop waste-water treatment system.*

PHOTO: BRON MARVILLE—PICTURE GROUP

Clark was able to reduce water use to 2,500 gallons per day—about 2.5 percent of the amount the system had used in 1984. Moreover, through changes to the plating process, Clark devised ways to reduce the waste water's metal content by returning "waste" metals to the process tank for reuse. His new method allowed Robbins to prevent future violations of Clean Water Act permits, according to an environmental case study of the Robbins Co. by Michael Berube, a research fellow at the Massachusetts Institute of Technology.

Clark also tackled Robbins' use of industrial bleach to destroy the plating byproduct cyanide. He replaced the industrial bleach with like amounts of household bleach, which is 5 percent toxic chlorine, or about one-third as chlorinated as industrial bleach. "It worked as an experiment, so I used it in the tank," Clark says.

Even with these appreciable cuts in Robbins' waste stream, the company could not have met the drastic federal and state clean-water standards set for 1987 along the Ten Mile River. The only conventional way to meet the standards would have been to build a huge and costly water-treatment system.

Believing that any effort to clean up waste water eventually would prove only temporary, Clark clung to the notion that Robbins could stop waste-water discharge altogether. He overcame the deep skepticism of production employees and government regulators, and by February 1988, with the help of Massachusetts' environmental-management department, he had built a "closed-loop" system for waste-water treatment at Robbins.

In a closed loop, water never leaves the facility; after use, its impurities are removed, and it is reused—much like water in a swimming pool or a fish tank. Water returning to the process tank in the new system at Robbins is said to be 40 times cleaner than city water. The system cuts generation of hazardous sludge by 89 percent per year, and the company no longer has to file any Clean Water Act permits. "It was a big gamble, but it did work," says Chatel.

The closed-loop system paid for

itself in just over two years, and the value of Clark's closed-loop innovation is likely to increase. The cost of routine water sampling 50 times a month was about $8,000 per year when Robbins was able to stop filing permits. Clark says yearly sampling costs would be $15,000 today.

The Robbins Co. now saves an estimated $71,000 per year on water and chemical usage, sludge treatment, and laboratory fees, according to the study by MIT fellow Berube. Building a conventional waste-water-treatment facility would have run $500,000 and would have required $23,000 in waste-disposal costs and $120,000 in operating costs each year, says the study. The closed-loop system, on the other hand, cost $220,000 to build, and operating costs are $30,000 per year.

The company also no longer needs municipal water to run its process, so its operations—and its revenues—are insulated from water-supply interruptions. Once, when Attleboro's water service was halted for nearly two days, the company's operations continued as usual, and Robbins escaped an estimated $80,000 operating loss, according to Berube's study.

The new system not only produced those savings but also enabled the company to avoid a lawsuit that could have proved far costlier. In June 1987, Robbins persuaded the Massachusetts Public Interest Research Group (MassPIRG) to postpone filing a $30 million citizens' lawsuit against the company until Robbins could try its zero-discharge treatment system. The system worked, and the suit was dropped.

Diceon, United Piece Dye Works, and the Robbins Co. all have found the value in avoiding shortcuts to environmental compliance.

Because laws requiring companies to operate more cleanly will be affecting smaller and smaller firms, the solutions for environmental-management problems may require some rethinking of old ways of production. Says Clark of his projects at Robbins: "The answers were so simple. But you're up on such a high plateau looking at all this state-of-the-art equipment that you get lost." He had to "get back to basics," he says.

Clark adds that "there are some small companies out there that can do the same type of thing" in finding new, cost-effective ways to meet environmental regulations, but discovering where changes can be made is "a lot of work."

Karg of Diceon Electronics says the role of today's environmental manager is to make the plant "stay in compliance, do it without interrupting the manufacturing process, and do it as economically as possible." NB

To order reprints of this article, see Page 85.

Environmental Fitness In The Small Company

By Eric A. Hillenbrand

A well-planned program for managing environmental matters can help a small company comply with environmental regulations without incurring too great an expense. Here are suggestions for designing and implementing such a plan.

What To Include

Your firm's environmental-management plan should revolve around:

- Planned, systematic assessment of environmental requirements;
- A capital and operating plan for complying with current and future requirements;
- A translation of compliance demands into day-to-day management, operations, control, and reporting;
- Training for staff with environmental accountability;
- Spotting potential liabilities in acquisitions or in waste disposal;
- Planning for emergency responses to problems;
- Regular environmental audits;
- Good external relations with regulators, your customers, and the community.

Putting It To Work

The environmental-management plan you have created will work best if you:

- Show that top management is sincere;
- Come up with specific environmental objectives for managers;
- Designate an environmental manager (even if it becomes a part-time duty of someone on staff);
- Look at operations and products to assess possible environmental problems;
- Draw a plan for minimizing environmental problems;
- Continually monitor the environmental-management plan itself.

Eric A. Hillenbrand is senior manager of environmental consulting for the accounting firm of Ernst & Young. These recommendations are adapted from COSE Update, *a publication of the Cleveland-based Council of Smaller Enterprises.*

Putting The Brakes On Workers' Comp

The workers' comp system faces collapse, experts warn, unless medical costs are harnessed with managed care.

By Roger Thompson

Runaway health-care costs have hit workers' compensation even harder than group health insurance and now pose the greatest threat to the system's future.

Employers surveyed by the Boston-based Liberty Mutual Insurance Group, the nation's largest workers' compensation insurer, recently warned that unchecked medical costs eventually will destroy the workers' comp system.

The *1991 Issues Report* from the National Council on Compensation Insurance (NCCI), a trade group based in New York, made this equally gloomy prediction: "Without substantial reform in the next few years, the entire [workers' comp] system faces collapse."

Medical cost containment, virtually nonexistent in workers' comp, ranks at the top of every reformer's list of priorities. And the favored way to control spiraling costs is "managed care," already in wide use with group health plans.

Managed care involves careful review and oversight of health services in an attempt to deliver high-quality, cost-effective medicine. For those enrolled in standard group health plans, managed care typically involves preadmission certification for hospital and outpatient surgery, and utilization review to weed out unnecessary or inappropriate treatment. For roughly 60 million Americans, managed care is as routine as a visit to a local preferred-provider or health-maintenance organization, where quality and cost controls are built into the medical delivery system.

Managed care blossomed in the 1980s as employers and insurers desperately sought ways to curb rising group health-insurance costs. But those who have pioneered its transfer to workers' comp often have met with resistance.

Stryker Warren Jr., president of FOCUS Healthcare Management Inc., a workers' comp management company based in Brentwood, Tenn., recalls the puzzled reaction he typically got when he first started marketing managed-care services, such as preferred-provider organizations, to workers' compensation insurers 3 ½ years ago.

"When we started calling on carriers, they said, 'You can't do this. You can't deny care.' We simply said that we aren't denying care. We are just asking whether it is appropriate care." In fact, no state law bars employers or insurers from attempting to manage the cost and quality of care under workers' compensation, says Warren.

State laws do pose some problems for managed care, however. A number of states require preferred-provider organizations to accept any qualified doctor, undermining the PPO's ability to control its size and selectivity. Only 16 states permit employers to direct an injured worker to a particular doctor or provider organization, such as a PPO. Most states allow employees to seek medical care from the doctors of their choice. Others limit the use of utilization review by imposing broad definitions of treatment that can be considered medically necessary or reasonable. Some states require insurers to pay for services even when they question their appropriateness.

Despite the limitations imposed by these laws, they do not preclude the introduction of managed care. Insurers and consulting firms have found they can work around them. "For the most part, workers' comp laws at the state level don't impede our progress at all," says Vicki Merrill, president of Pacific Review Services, a managed-care company in Cypress, Calif.

For example, even in states where employees have free choice of doctors, employers still may recommend physicians. Typically, 75 to 90 percent of injured workers voluntarily pick a doctor recommended by the employer, says Peter Rousmaniere, chief financial officer of Lynch Ryan & Associates Inc., a

CHARTS: MARCY MULLINS

WORKERS' COMPENSATION

workers' compensation consulting firm in Westborough, Mass. "It's a myth that employees don't want to be given advice on medical care," he adds.

To date, managed care has just begun to make inroads into workers' compensation. Only a small number of insurers and consulting firms now offer PPOs or other services that attempt to manage costs before medical care is given.

"I would say at best only about 10 percent of injured workers now enter into a managed-care program offering a preferred-provider organization," says Rousmaniere. But the idea is catching on rapidly. "In 1994, it will be 25 percent," and by the end of the decade, managed care will be commonplace, he says.

Just how much managed care will cut workers' comp medical costs remains unclear. Merrill, of Pacific Review Services, estimates savings of 25 to 40 percent, based on her own company's experience. Robert Dennis, a physician who is chief executive officer of ProHEALTH, a workers' comp PPO based in Neptune, N.J., offers employers a money-back guarantee that his organization can cut their workers' comp costs. The amount of savings depends on the size and nature of the business.

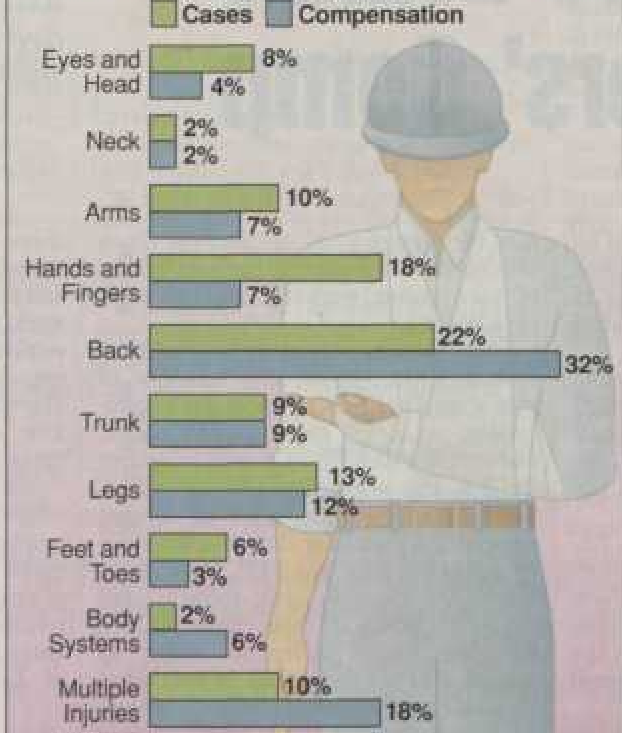
But potential savings from managed care don't stop with medical bills. When applied to workers' compensation, managed care takes on a new mission, one not required of it under employer health plans. It must aim to return an injured or sick employee to work as quickly as possible. Disability payments to out-of-work employees represent roughly 60 percent of total workers' comp outlays.

Rousmaniere maintains that managed care's emphasis on early return to work actually saves more money than its impact on medical bills. "The real driver for high costs is lost time [from work]," much of it unnecessary, he says.

Surveys by Lynch Ryan have found that the average injured worker remains off the job three to four times longer than is medically necessary. "In 90 percent of job-related injuries, recovery and return to work can occur within a few working days," says Rousmaniere.

Dennis, of ProHEALTH, requires his physicians "to pin down a return-to-work date and put it in a letter to the employer within 24 hours of initial treatment." He adds, "Physicians are allowed to change the date later, but we believe that clear communications about return to work can save a lot of money."

Part Of Body Injured In Work Accidents



Source: National Safety Council, (1990). *Accident Facts, 1990 Edition*

Moreover, Merrill says that quick return to work, often involving a temporary light-duty assignment until an injury has healed fully, minimizes the potential that a disgruntled worker will seek legal help in pursuing a workers' comp claim. She estimates that litigation costs would decline by 50 percent under a managed-care program.

Says Roger Taylor, a physician and national health-care director for The Wyatt Co., a benefits consulting firm: "It's clear that managed care offers a lot of spinoff savings that go beyond health-care costs." Nonetheless, health-care cost containment remains the focus of attention. "Everyone has been hearing how health-insurance costs have been going up more than 20 percent a year," says Taylor, based in Wyatt's Washington, D.C., office. "But it's not uncommon to see the health component of workers' comp going up at 40 percent a year."

In the absence of cost restraints, hospital and doctor bills for workplace injuries and illness zoomed upward during the 1980s at roughly twice the rate as other medical-care costs, according to NCCI. A decade ago the medical portion of workers' comp represented 33 cents of every benefit dollar; it now represents 40 cents. At the current growth rate, medical expenses will command half of every workers' comp dollar by the end of the decade, says NCCI.

From 1980 to 1989, the last year for which NCCI figures are available, the average medical claim rose to $5,370 from $1,741, while the average wage-replacement claim increased to $10,735 from $4,522.

Traditionally, companies have attempted to curb workers' comp costs by instituting work-site safety programs and health screening of job applicants. Many of these programs focused on avoiding back injuries, the most common and most costly type of claim. (See the accompanying chart.)

When injuries did occur, medical-care cost containment was limited to audits of bills to weed out unnecessary charges and review of rehabilitation programs. "But these techniques have had little impact on rising costs," says Taylor.

Because workers' comp medical care has gone virtually unmonitored, hospitals and doctors often have boosted workers' comp fees to help offset cost-cutting programs in employer health plans and government health-care programs—Medicare and Medicaid. In fact, the absence of cost controls created incentives for medical providers to shift costs to workers' comp.

In Minnesota, for example, a Department of Labor and Industry study found that workers' comp medical charges on average were twice the level for similar injuries paid for under standard group health-insurance plans. A survey by FOCUS Healthcare found that the average hospital stay for workplace back injuries was often 10 percent to 50 percent longer than for similar injuries not covered by workers' comp.

To curb excessive charges, 27 states, including Minnesota, have adopted fee schedules to cap medical-provider reimbursement under workers' comp. Four more states are developing fee schedules, and 19 have no schedule, according to Liberty Mutual.

Fee schedules, however, have not been as successful in holding down total costs as many hoped. Medical providers often offset lost revenue by increasing the number of services provided, says Warren, of FOCUS Healthcare.

With medical costs escalating out of control, the workers' comp system clearly needs a big fix. Many think it can be done with managed care.

"We are seeing employers getting more and more aggressive in this area," says Taylor. State laws shouldn't be used as an excuse to delay, he adds. "Even in states with rigid regulatory environments, there is a lot you can do to manage workers' comp medical and disability costs." NB

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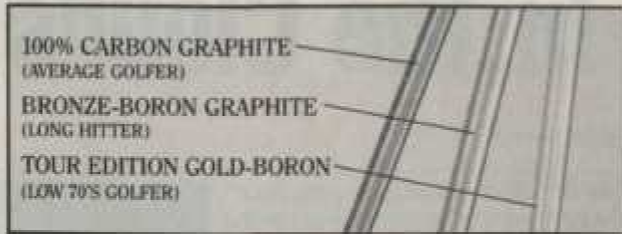

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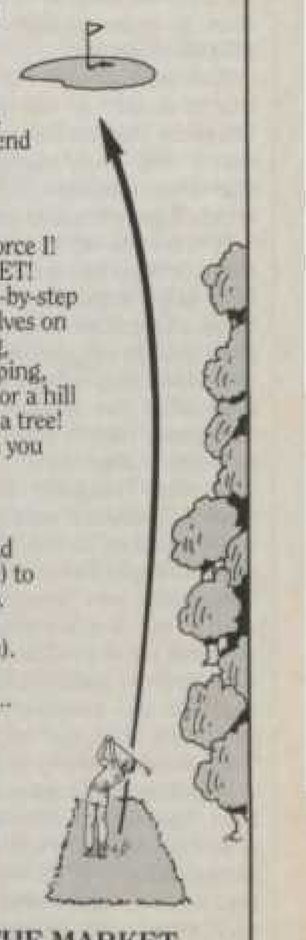

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LESSONS OF LEADERSHIP

Only The Music Is In The Clouds

By Michael Barrier

In the $7 billion recording industry, as in other parts of the entertainment business, extravagance is chronic. There is always the temptation to turn on the tap and let the money flow: a multimillion-dollar contract for a hot singer here, a million-dollar recording session there.

Working as she does in this highly colored environment, Anne Robinson seems like a throwback, a black-and-white photo in a stack of Kodachromes. Robinson, 43, is president and chief executive officer of Windham Hill Productions, a Palo Alto, Calif., recording company. She and her partner, William Ackerman, started the company with all of $300, in 1976, and she still talks as if she didn't have much more than that to work with.

"We spend our money very cautiously," she says. "We don't do $100,000 recordings; we do $35,000 recordings. You can start to make money a lot faster on a $35,000 recording."

Robinson doesn't believe in spending lots of money on the kind of electronic tinkering that makes human performers sound like indistinguishable androids. She doesn't believe in paying recording artists huge advances on their royalties.

"I want the artists to understand that we're in business together," she says. "If they get a huge advance, it might take them a long time to start making money after that. I really believe very strongly in the psychology of getting a check very soon after you release the record, and with great regularity and increasing dollar volume after that."

As for Windham Hill's own dollar volume, Robinson says that annual revenues are now in the $25 million to $30 million range. The company remains privately held and free of debt. Robinson used to say that Windham Hill had never released an unprofitable album; she will no longer go quite that far, but she does say that the company's success rate is very high. And, she adds, Windham Hill "makes money every year."

Windham Hill's success has been more than financial. Like only a few other recording companies, it has established a strong identity of its own, one so distinct that some record stores display its compact discs and cassettes in a section marked "Windham Hill," confident that customers will know what that means.

It was through Windham Hill that what is now called New Age music reached a wide public. The term New Age is one that Robinson finds distasteful—it was applied by outsiders who found in the music an aural analogue to the mysticism exemplified by the actress Shirley MacLaine's books on reincarnation. But New Age has served as a useful tag for a kind of music that has emerged as an alternative to rock and rap. New Age music tends to be, in contrast to rock's sweaty extroversion, an intimate, introspective music, typically performed by a solo instrumentalist—a guitarist or pianist. Ackerman himself set the pattern on some of Windham Hill's earliest albums, performing plaintive solos on a closely miked acoustic guitar.

At its worst, such music resembles cocktail-hour tinkle; at its strongest, it is but a few steps removed from the work of such contemporary classical composers as John Adams and Philip Glass; and it often seems to aspire to the droning serenity of some Eastern music (Robinson herself went to Tibet in 1985 and speaks of her visit there as "an extraordinary experience").

Major record companies have spun off New Age labels to compete with Windham Hill, but it remains the class of the field, and one of the largest players in a market that has grown to more than $200 million in annual sales.

Windham Hill has benefited not only from its early start but also from a continuing attention to the niceties of producing quality records. "In the early years," Robinson recalls, "a lot of people looked at the demands we had as to how

PHOTO: GROBERT HOLMGREN

What began as a one-record company *15 years ago has under Robinson's leadership become a profitable firm with a string of moneymaking releases.*

Windham Hill's recordings may sound ethereal, but CEO Anne Robinson makes sure her company doesn't float away.

the records were manufactured or the covers were printed, and they'd say, 'Oh, you don't need to do that.' I'd say, 'Oh, yes, I do. You've got to come up to this level of quality, or you're not going to be doing business with me.' "

In those early years, Windham Hill was a very small company indeed. When it first began releasing records, in fact, it wasn't a company at all. In 1976, Robinson was working in a Palo Alto bookstore; her friend Ackerman—like her a Stanford University dropout—was a carpenter and a guitarist. When they decided to put out an album of Ackerman's guitar solos under the title "In Search of the Turtle's Navel," they got 60 admirers to put up $5 each in advance. The $300 they raised helped pay for the pressing of the records.

Since albums could be pressed only in lots of 500 or more, Robinson and Ackerman found themselves with 440 leftover LPs. "We thought we'd never get rid of them," Robinson says. She lured buyers by playing the record at the bookstore where she worked, and a health-food store carried the record on consignment. Then a childhood friend of Ackerman's—a promotion man for a big record label—took 10 copies of the album and talked several radio stations in Seattle and Portland, Ore., into playing it, stimulating demand for the album in those cities.

After six months or so, when that first pressing finally sold out, Robinson and Ackerman went back for a second. Now they were really in the record business—but just barely. When young people start a business in the '90s, Robinson says, "they have a plan, and they've done research, and they've written it out, and they've got goals. Will and I did not break that way; that wasn't what it was about. We were just having fun doing what we were doing. It took us two years to get up to a catalog of four items."

Windham Hill hired its first employee sometime around the beginning of 1980. As what had been a glorified hobby became a real business, Robinson and Ackerman became more like real business partners. They had married in 1977; in 1981, they divorced. Robinson says it was their marriage—not their continuing partnership after the divorce—that was the anomaly. They were cut out to be business partners rather than spouses all along, she says, but men and women "didn't make business partnerships in the mid-'70s; it wasn't done." Looking back on the marriage now, she says, "I think both of us have very dim memories of it." (She has since remarried and divorced.)

Throughout the early '80s, Windham Hill grew rapidly as Robinson and Ackerman made deals with independent distributors across the country. As they had a successful record with one distributor, Robinson recalls, "and we heard about a radio station playing the record someplace else, we would call up another distributor, and say, 'Gee, would you sell the stuff?' "

She and Ackerman benefited, she says, because they were "not afraid to ask questions on the phone when we had somebody who knew something. Because, I think, of the naivete and innocence and uncalculated business approach of it, people were very willing to help us." Then, as now, Windham Hill offered itself as a contrast to the hype endemic to the industry: "Will and I didn't try and pretend we had this empire. You can't lie to people; they get it, and it doesn't work."

It wasn't until 1982 that Robinson finally left her job at the bookstore. By the next year, Windham Hill's annual revenues had risen to something under $1 million, and it had 11 employees. Then Windham Hill agreed to let a major record company, A&M Records, be its distributor. "When we made the deal with A&M," Robinson says, "we knew it was real." She thought at first that Windham Hill's payroll might rise to 15 people as a result of the A&M deal; instead it rose over the next few years to more than 50.

Windham Hill's growth created some strains, Robinson says, but she adds that "we've always been as organized as we possibly could have been, at any point in time. I have an ability to organize things. That's been something I've always sort of pushed at. It probably comes out of living in very small places when I was in college and having to find means of storing my belongings."

Today, although Ackerman remains active in the company as the hands-on producer of many of its recordings, Robinson is clearly the woman in charge; Ackerman does not even have an office at Windham Hill's headquarters (a remodeled auto-repair shop near downtown Palo Alto), and he spends much of his time outside California. Robinson is not a musician ("I used to think I played the piano"), and she says that Ackerman's taste governs more of Windham Hill's releases than hers does. Still, she has a large say in the musical choices, in addition to running the business side. As she says, "I am not merely an administrator."

As CEO, Robinson now faces the difficult task of deciding where Windham Hill goes next. A few years ago, the company expanded into video, and Robinson was talking of greater diversification; but Windham Hill has stopped issuing new video releases—they simply took too much time, Robinson explains—and it is diversifying only into somewhat different lines of music. There is now a Windham Hill Jazz label, for instance, and another, called High Street, that is devoted to such folk-flavored vocalists as John Gorka.

The record industry is dominated by

From its base *in New Age music (Robinson dislikes the term), Windham Hill has expanded into jazz and vocals.*

giants—six major companies, acting as manufacturers and distributors, account for more than 90 percent of all recordings sold—and Robinson wants to find some way to give Windham Hill a little more heft with record retailers than its two dozen releases a year now provide. Last year, she and Ackerman came close to selling the company to their former distributor A&M (itself now a unit of the huge Polygram company); instead, they backed off at the last minute, even though, Robinson says, preserving Windham Hill's independence within the larger organization was "never an issue."

Now she envisions some kind of "strategic alliance" with another company—an alliance stronger than a distribution agreement. When she describes what she has in mind, it sounds like a joint operating agreement of the kind newspapers make. Under such agreements, two newspapers combine their business operations while preserving their editorial identities.

What she foresees for Windham Hill is "not unlike that," Robinson says. "I believe that the strength of business in the '90s and the next century is going to be about alliances like that, where people get access to something someone else does well, without having to buy into it full-time."

We don't do $100,000 recordings; we do $35,000 recordings. You can start to make money a lot faster on a $35,000 recording.

—Anne Robinson, President, Windham Hill Productions

Listening to Robinson talk about her company, it does seem most unlikely that she will give up control of it—and certainly not for dollars alone. "I have a lot of energy," she says, "because I am absolutely fascinated by what I get to do here—and that really is the right phrase, what I get to do here.

"This is an opportunity that arrives for very few. As opposed to people who can only sit around and daydream, I get to try and to see what happens. If it doesn't work, you fix it, and if it works, you do more of it. That's very, very exhilarating stuff."

The interview is drawing to a close, but Robinson doesn't want a visitor to leave without hearing a sample of the newest work by Windham Hill's best-selling artist, the pianist George Winston. Soon after the release of his first album for Windham Hill, "Autumn," in 1980, dealers began ordering 15 or 20 copies at a time—orders three times as large as those for any previous Windham Hill release. It was Winston who really made record retailers pay attention to Windham Hill.

Until this year, Winston had made only three albums for Windham Hill—the most recent was "December," released 10 years ago. His new album, "Summer," is a major event, all but guaranteed to sell in the hundreds of thousands of copies.

Robinson begins playing a cassette of "Summer," which at this point is still weeks away from its Oct. 8 release date. She does not seem to be a woman who smiles readily, but she smiles now, ecstatically, as Winston's crystalline notes fill the air in her office.

For a few days after Winston's tape arrived, she says through that smile, "all of the business stuff absolutely retreated. This is really why I'm here. It's really about the music. It's to listen to stuff like this." NB

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Leonard L. Rippa
Business Manager

FINANCE

A Shield Against Bad Debts

Here are tips for drafting the strongest possible security agreement—your claim on a debtor's property for nonpayment.

By Donald B. Kramer

Business failures often result more from bad business practices than from lack of business. And few bad business practices are as threatening to an enterprise as taking on new customers who are unlikely to pay their bills.

The various ways of protecting your firm against bad debts include secured transactions in which the customer gives you the right to take specified property in the event of lack of payment.

The secured items are usually those that you sold to the debtor, but they may also include other property the debtor owns—or might own in the future.

PHOTO: LEO CASTLE—FOLIO, INC.

Secured items *are usually those you sold to the debtor.*

When you enter a secured transaction, there are certain steps that must be taken to make sure that it will withstand any future challenge. To be successful, a security agreement must:

Be in writing: Any other type of agreement—made by phone or with a handshake, for example—won't hold up.

Provide a consideration for the debtor: The debtor company must receive something of value from you if it is to pledge something of value as security.

Contain the debtor's exact legal name: If Joe's Market is really the XYZ Corp. doing business as Joe's Market, then XYZ Corp. should be named in the agreement. You can determine the debtor's legal name and any existing security agreements it has in effect by filing a UCC-11 form with the Uniform Commercial Code division of the secretary of state's office in the state where the debtor operates.

The forms are available at office-supply stores. Ask the secretary of state's office for details on filing.

Include an accurate description of the secured collateral: This helps protect you against other creditors securing the same collateral. If you must go to court, court officers need to know what to look for and where to find it (they will not search).

Be accompanied by a note or some other evidence of debt: The security agreement assures that the debt will be paid if the collateral has sufficient value, but it is not itself evidence of a debt.

State clearly whether the collateral is owned by the business or an individual: Different rules apply in each case.

State whether the secured collateral is for business or personal use: If it is for personal use, then the security agreement is a consumer transaction and may be governed by different regulations and filing requirements than those for business agreements. Also, if it is personal property, a Financing Statement (UCC-1) is required. Check applicable filing rules.

State that your company has the rights to the proceeds from sale of the collateral by the debtor: Stipulate that your firm must be notified before the debtor removes any collateral for any purpose other than the normal course of business.

Be signed by the owner of the collateral: If the owner is a corporation, have an authorized officer sign. A person or firm that is not the owner cannot give you rights to another party's property.

Specify, if applicable, that the agreement consists of more than one page: If the provisions carry over to the reverse side of a page or to a second page, the first-page side should have a statement in bold letters that the debtor's commitment extends to the reverse side or additional pages. For added protection, have the debtor sign both sides of the page or both pages.

Be notarized or witnessed: A witness is adequate. Include the witness's address against future reference.

Be perfected: File or record it in the appropriate state or county offices. Some states require filing in two offices. Once your agreement is filed, your firm has priority to the collateral over later filings. In disputes over first rights, decisions are based on whether another creditor company would have seen your agreement if it had checked the filings.

Be a purchase-money security agreement (PMSA) if the collateral is merchandise that you just sold the customer: Some states give greater protection to such agreements. If a previous creditor got your customer to sign a security agreement covering all of your debtor's assets, those states would give priority to a purchase-money agreement. Your firm's attorney can advise you on PMSA provisions of specific states.

Make your firm "loss payee" on the debtor's insurance covering the collateral: Your firm's name will then appear on checks paid if the collateral is lost, stolen, or destroyed. Otherwise, the debtor may recover and spend the funds paid to cover the loss of your collateral. NB

Donald B. Kramer is president of Kramer & Frank, P.C., a St. Louis law firm that specializes in collection of delinquent accounts for clients who range from small businesses to major corporations. This article is excerpted by permission from his recently published manual for credit and collection managers, Mastering Collections: Business to Business *($39; distributed by K & F Seminars; 1-800-633-6069).*

How Changes Are Affecting Franchising

A tight economy and consumers' demands for value are just some of the influences shaping the future of franchising.

By Meg Whittemore

Franchising's trends in the coming year will be driven by diverse conditions in the nation's economy and by a host of demographic changes as well.

Consumers' interest in education and employment security and their demands for convenience and value are all propelling the development of franchised businesses. In response to consumers' needs, franchised products and services are becoming more specialized and sophisticated.

Throughout all the changes and shifts in the franchise community, the clear winner in every case is the customer.

Corporate Belt Tightening

If you are a displaced corporate executive, are the sole supporter of your family, and have children living at home, you fit the description of the latest wave of prospects seeking to enter franchising.

The corporate downsizing trend of the 1970s and '80s taught many white-collar workers that their jobs did not come with lifetime guarantees. "During the last several years, U.S. corporations have announced over 500,000 white-collar layoffs," says Don Lacey, editor and publisher of *Workplace Trends*, an employment-trends newsletter published in Rocky River, Ohio, a suburb of Cleveland. The days of lifetime employment are fading fast, he says.

What lies ahead for these former executives? The answer for many turns out to be franchising. According to a 1991 survey of franchising companies conducted by S&S Franchise Marketing Consultants, based in Northbrook, Ill., franchisors report that 70 percent of their inquiries now come from current or former executives, up from 20 percent in previous years.

Fortunately for those with executive backgrounds, franchisors are increasingly on the lookout for seasoned business people—especially professionals who have been through tough times and know how to manage during downturns. Franchisors are seeking such individuals both as prospective franchisees and as management-support personnel within parent companies.

"Franchise employers are now looking for maturity, stability, and the kind of experience you can't get in business school," says Lois Vana Marshall, president of The Marshall Group. The firm, headquartered in Salinas, Calif., specializes in executive searches for franchised companies.

"Franchising operations are successful because they combine the best of corporate know-how with the enthusiasm of entrepreneurship," says C. Ronald Petty, president of Miami Subs Corp., an upscale quick-service restaurant franchise based in Fort Lauderdale, Fla.

PHOTO: SHEN TOUGHTON

Home Call founder *Mike King drives a video-rental route in West Palm Beach, Fla.*

Petty says that the Miami Subs franchisees who have been corporate executives are highly motivated self-starters. "Corporate managers often find they can easily adapt to the world of franchising, where the ability to follow corporate guidelines and keep headquarters in the loop puts them in good stead," he says.

Betty Hoeffner, vice president of S&S Franchise Marketing Consultants, agrees. "There was a time when a franchisor might have worried that executives, accustomed to delegating work, might not be willing to roll up their sleeves and dig in," she says, "but that hasn't turned out to be the case."

Steven Finch wasn't afraid of the extra work involved in business ownership, he says. He was concerned about the income reduction. "I decided to gamble on myself, even though I was afraid the world would come to an end once that regular paycheck stopped arriving at the bank," he says. "But, guess what! It didn't!"

Finch had been an accountant and divisional chief financial officer for Western Publishing Co., a book publisher headquartered in Racine, Wis. He became uneasy when the company was sold three times in eight years. In 1988, after 20 years with the company, he decided his employment was not secure, and he bought a Comprehensive Business Services franchise in Ellisville, Mo. Comprehensive Business Services offers accounting, bookkeeping, and tax services to small companies. Three years later, with 1992 projected gross sales totaling \$130,000, he says, "I'm not wealthy yet, but I am well on my way."

Finch was most surprised by how much he enjoyed working for himself, even though initially it meant cutting his personal budget in half.

"I left a fine office [at Western Publishing] with a secretary and the latest equipment and moved into my back bedroom," Finch says. "But it was worth it."

Computers For Preschoolers

Mary Rogers, co-founder of Computertots, a franchise specializing in computer education for preschoolers, looks for franchisees who have backgrounds in education as well as business.

It is very important, Rogers says, that prospective franchisees believe in the concept of early education for children—and early computer exposure.

Computertots, based in Great Falls, Va., offers computer-enrichment classes to children ages 3 to 5 in day-care centers. "It has been estimated that by the turn of the century, over 90 percent of all jobs will require some knowledge of computer technology," says Rogers. "For today's youngsters, growing up successfully in the 21st century will require varying degrees of computer literacy."

With that in mind, Computertots offers a wide range of educational software aimed at challenging preschoolers in mathematics, reading, logic, and problem solving.

Children who take part in the program are exposed to many aspects of a computer, says Rogers, such as computer-

PHOTO: D.J.S. LAWTON

Hands-on *computer discovery for preschoolers in a Computertots class.*

controlled robots, touch screens, mice, and joysticks.

Every week some 12,000 preschool children take computer classes in 23 states through Computertots' 46 franchised locations.

Parents enroll their children through day-care centers; the cost is $24 to $36 per month, depending on location. Classes are conducted once a week, for 30 minutes a session, for groups of three to five children.

Start-up costs for a Computertots franchise come to $25,500, which includes the franchisee fee, training, databases listing all the day-care sites in a market, eight months of curriculum, and a computer.

Rogers, an early-education specialist, says she expects the franchise to double in size over the next two years. Is she worried about growing too fast? "Not really," she says. "We make sure that every one of our franchisees fully understands what they are getting into. It is hard work. There are downsides. We strive to communicate that before the franchise is sold."

Owning your own business is a lot like having your first child, Rogers says. "You think about how wonderful this is going to be, and then the child comes, and reality hits. There are sleepless nights, problems, whining, back talk, and a lot of worry. Owning a business is a very similar experience."

Leaner Lodging

One of the biggest challenges facing mature franchise companies today is finding new markets. Even though McDonald's Corp.'s founder, Ray Kroc, believed that "saturation is for sponges," many franchisors say they have saturated certain markets.

Some franchisors are looking at ways to modify their existing prototype operations in order to penetrate smaller markets. For example, Hampton Inns, Inc., headquartered in Memphis, Tenn., has redesigned its lodging property for use in areas supporting fewer than 100 hotel rooms.

Says Ray Schultz, president and chief executive officer: "Approximately 30 percent of the system's development in 1991 focused on markets that are suitable for this modified hotel."

Guests staying at the smaller version of the hotel will not be able to detect any differences, says Schultz, other than the fewer number of rooms in the establishment and the smaller lobby.

The Hampton Inn prototype was modified for locations that can support 50 to 90 rooms, within markets that have a population no larger than 75,000 and are beyond the suburbs of major metropolitan areas.

Total development costs—not including land—for the scaled-down version average $26,000 per room, compared with an average of $31,000 per room for a larger Hampton Inn hotel of typically 125 rooms, according to Schultz.

Hampton Inn is an economy-hotel chain; its average room rate is $45 per night, depending on location. The smaller hotels will charge $35 to $39 for a room.

The first of Hampton Inns' leaner models opened for business in Townsend, Tenn., early this year, and 14 more locations are on the drawing board for 1992. Hampton Inns opened its first full-sized hotel in 1984 and currently operates 245 such hotels in 39 states.

Videos On Wheels

You've had a busy day at work, and you are looking forward to going home, having dinner, and watching a movie on your VCR. If you live in one of the 15 areas served by Mike King's Home Call mobile

For smaller markets, *Hampton Inns is developing hotels with fewer rooms and scaled-down prices.*

video-library vans, renting a movie—and a VCR, if you need one—is as simple as walking to the end of your driveway.

King, a native of London, England, has built a company based on America's love of movies, home, and convenience. Home Call travels within a nine-square-mile neighborhood, dropping off and picking up rented movies. He himself drives a Home Call van in West Palm Beach, Fla.

King owns and operates a product and trade-name franchise. This means he sells his trade name, customizes the van inside and out, provides a stock of 250 current videotapes, and shares his system of delivering and picking up the product. It is a form of franchising commonly known as a dealership.

Unlike business-format franchising, King does not provide a rigid turnkey operation, extensive training, ongoing support, or an advertising and marketing program. Nor does he charge a monthly royalty. Franchisees pay a one-time fee of $5,000 over a five-year period.

The total investment for a Home Call dealership is $9,950 to $22,500, depending on how much custom work is done to the van. The purchaser buys the van—a standard-sized vehicle that fits into a residential garage—and King customizes the interior and exterior.

Interior shelving holds tapes and VCRs, and exterior brackets hold movie posters and advertising. Yellow strobe lights are fitted on the top of the van, and a chime is installed, much like that on a neighborhood ice-cream truck.

A typical workday begins at 3:30 p.m., when schoolchildren arrive home. King drives through his neighborhood continuously until 9 or 10 p.m. daily, renting and picking up movies. King says that in a good week, he nets $1,400 in cash, and he estimates overhead at $800 a year.

"I think I am five years ahead of other movie-delivery services," King says. "Most outfits that deliver movies go broke because they try to deliver them like you would a pizza," he says, explaining that they typically deliver from a store, not a van that travels the territory. Under King's system, when a film is delivered, another one may be picked up—from that customer or from another home nearby.

When he started his business in 1983, he says, he would drive anywhere to deliver a movie—and he found he lost money. He now takes advantage of the proximity of customers who want to rent and those who need a movie picked up. "There's no wasted effort," King says.

Another marketing strategy is to recognize the customer's tendency toward impulse purchases. "In the past, you didn't think you wanted an ice cream until you heard the chimes in your neighborhood," he says. "My system works on that same premise."

King charges $7 per night for two movies and $10 for three. He also carries candy, popcorn, and chilled soft drinks. Regular customers call King on his cellular phone in the van to order movies. The basis of his system, King says, is to "stay in a nicely populated neighborhood and make every move count."

Although the overall trends in franchising heading into 1992 reflect consumers' caution and price consciousness, franchises that provide value and convenience will continue to thrive. ■

Writing A Plan For Growth

By Andrew J. Sherman

One of the most challenging aspects of franchising in the coming year will be finding funding—to start a franchise, expand an existing operation, or buy a franchise. The key to successful financial negotiation is planning—getting into words exactly what your business does and why.

Owners and managers of growing franchises have come to understand that meaningful and effective business planning is critical to the long-term success and viability of any business and to its ability to raise capital.

Regardless of the financing method or the type of capital to be raised, virtually any lender, underwriter, venture capitalist, or private investor will expect to be presented with a meaningful business plan.

The following is a broad outline of the fundamental topics to be included in a typical business plan for franchising. (Although the points set forth here are directed mainly at the franchise owner—the franchisor—they are also useful for the first-time prospective franchisee or a franchisee who wants to acquire additional franchise units.)

Executive Summary: This introductory section of the plan should explain the nature of the business and highlight the important features and opportunities offered by an investment in the company.

The executive summary should be no longer than one to three pages and should include: (1) the company's origins and performance, (2) distinguishing and unique features of the products and services offered to both consumers and franchisees, (3) an overview of the market, and (4) the amount of money sought and for what specific purposes.

History And Operations Of The Franchisor: In this first full section, the history of the franchisor should be discussed in greater detail: its management team (with resumes included as an exhibit); the specific program, opportunity, or project being funded by the proceeds; the prototype; an overview of the franchisor's industry, with a specific emphasis on recent trends affecting the market demand for the franchises; as well as the products and services offered by the franchisee.

Marketing Research And Analysis: This section must present to the reader all relevant and current information regarding the size of the market for both franchisees and consumers, trends in the industry, marketing and sales strategies and techniques, assessments of the competition (direct and indirect), estimated market share and projected sales, pricing policies, advertising and public relations, strategies, and a description of sales personnel.

The following questions should also be addressed:

■ Describe the typical consumer. How and why is the consumer attracted to patronize the franchisee's facility? What relevant market trends affect the consumer's decision to buy products and services from the franchisee's facility?

■ Describe the typical franchisee. How and why is the prospective franchisee attracted to the franchisor's business format? What factors influenced the prospect's decision to buy the franchise?

■ What is the approximate size of the total market for the services offered by the franchisee? What marketing strategies and techniques have been adopted to attract franchisees and consumers? Where do referrals for prospective franchisees come from? Do existing franchisees make referrals? Why or why not? (Include sample promotional materials as an exhibit.) Describe the performance of

(Continued on Page 70)

Help For Veterans To Become Franchisees

Veterans of America's armed forces who want to own a franchise are eligible for financial assistance through a program sponsored jointly by a business owner, a federal agency, and a trade association.

Called the Veterans Transition Franchise Initiative—or VetFran—the program makes it possible for a veteran to purchase a start-up franchise with no money down.

The sponsors are Donald Dwyer, president of The Dwyer Group, a conglomerate of franchised businesses based in Waco, Texas; the U.S. Small Business Administration (SBA); and the International Franchise Association, in Washington, D.C.

Dwyer conceived the idea as a way to offer vets more independence and control over their income. "Our veterans have fought to protect our free-enterprise system," says Dwyer, a veteran of the Korean War. "At the heart of that system is private business ownership. That's the American dream, and I think every veteran should find that dream within his or her grasp."

Franchised companies that endorse the VetFran initiative agree either to reduce their up-front franchise fee for veterans or to finance up to 50 percent of the fee at market interest rates. More than 100 franchised companies currently participate in the program.

The SBA accelerates loan-guarantee approvals for VetFran applicants to help them pay the balance of the franchise fee (if any) plus any equipment costs.

"Franchise ownership will not only educate [military veterans] about business," says Dwyer, "but also will create employment for them and others."

All current veterans are eligible to apply for VetFran funding; the deadline is Aug. 15, 1993.

Those who are on active duty now and become veterans by Aug. 15, 1993, will have two years from their discharge date to apply.

Franchised companies reserve the right to screen applicants to ensure that they meet the franchisor's ownership qualifications, says Dwyer.

"We want to show all active military personnel and veterans that the franchising industry cares about their future," says Dwyer. "It is our way of saying thank you to those who protected this nation."

Veterans who wish to apply for VetFran should contact their local military processing center, a local SBA office (check the government listings in your telephone directory), or The Dwyer Group at (817) 756-2122.

(Continued from Page 68)

the typical franchisee. Are the stores profitable? Why or why not?

Rationale For Franchising: This section should explain the underlying rationale for selecting franchising in lieu of the other growth and distribution strategies that may be available.

Discuss whether a dual distribution strategy will be pursued. Under what circumstances will company-owned units be established? Explain to the reader which method(s) of franchising will be selected. Single units only? Sales representatives? Area developers? Subfranchisees? Special risks and legal issues should also be discussed.

The Franchising Program: This section should provide an overview of the

Franchise Seminars And Expos

It takes a certain kind of person to own and run a franchise. Not everyone has the temperament for the long hours, the usually hefty investment, and the independent-yet-team-player characteristics necessary for such a business.

If you are thinking about purchasing a franchise, proceed carefully and do your research. Shop and compare, talk with franchisees, interview franchisors, and investigate their financial-disclosure documents for any bankruptcy or lawsuit activity.

It is also helpful to attend seminars where you can have your questions answered by representatives who are directly involved in the franchise community.

A good place to go for a comprehensive sampling of what's entailed in franchise ownership is the half-day, satellite-transmitted seminar on franchising conducted by Women in Franchising. WIF is a Chicago-based organization that promotes franchising among women and minorities.

The live, interactive conference is hosted by Susan Kezios, WIF president, and is designed for any prospective franchisee. Kezios will discuss applying for a franchise, evaluating a franchise, and the rewards and risks of franchising. Franchise owners will cover such subjects as the mental and physical requirements of franchise ownership and life as a franchise owner. The owners will also discuss a six-step personal financial assessment to show how they evaluate a prospective franchisee's financial requirements.

The conference will be held simultane-

franchising program with respect to key aspects of the franchise agreement, a description of the typical site, an overview of the proprietary business format and trade identity, the training program, operations manual, support services to franchisees, targeted markets and registration strategies, the offering of regional and area development agreements, and arrangements with vendors.

A detailed analysis of sales and earnings estimates and personnel needed for a typical facility should be included. Discuss marketing strategies relevant to franchising such as trade shows, industry publications, and sales techniques. Explain the typical length of time between the first meeting with a prospect through grand opening and beyond. What are the various steps and costs during this time period (from the perspective of both the fran-

ously in 31 cities nationwide at a date to be announced. The cost is $79 per person, or $140 for two people. For further information, call 1-800-222-4943, or contact Lenore McNeal, conference coordinator, at WIF, 175 W. Jackson Blvd., Suite A-2116, Chicago, Ill. 60604.

The International Franchise Association, based in Washington, D.C., sponsors trade shows that feature exhibits by 60 to 80 franchised companies. These World of Franchising Expos offer an opportunity to meet with representatives from a variety of businesses that offer franchises. Admission is $5 or $6 per person, depending on the location.

Expos are scheduled in the following U.S. cities for 1992:

Jan. 11-12: Baltimore
Feb. 15-16: Meadowlands, N.J.
May 30-31: Minneapolis
June 27-28: Chicago
Aug. 8-9: Philadelphia
Aug. 29-30: San Francisco
Oct. 10-11: Atlanta
Nov. 7-8: Anaheim, Calif.

An international franchise expo is scheduled for April 10-12 in Washington, D.C. More than 500 franchised companies from the U.S. and 26 countries are scheduled to participate in the three-day show.

Produced by Blenheim International Franchise Expos Inc., the show will feature a series of seminars (free to expo attendees) on researching a franchise opportunity, exploring the franchisor/franchisee relationship, and the financial issues involved in owning a franchise.

For more information on the eight franchising expos or the international franchise show, write or call Blenheim International at 1133 Louisiana Ave., Suite 210, Winter Park, Fla. 32789; (407) 647-8521.

chisor and the franchisee)?

Discuss strategies for the growth and development of the franchising program over the next five to 10 years.

Operations And Management: Provide the current and projected organizational and management structure. Identify each position by title with a description of duties and responsibilities and compensation. Describe the current management team and anticipated hiring requirements over the next three to five years. What strategies will be adopted to attract and retain qualified franchise professionals?

Exhibits: In the presentation copies, include exhibits of the franchisor's trademarks, marketing brochures, and press coverage. ■

Andrew J. Sherman is a Washington, D.C., lawyer serving franchises and other small businesses.

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What To Look For In A Franchise

Everybody seems to be looking for a business that will take advantage of future trends and not be crushed by them, says Steven Raab, a franchise lawyer in Philadelphia and author of *Blueprint for Franchising a Business*.

Prospective franchise buyers face an altered business climate and are not as willing to leap into franchise ownership as they have been in past years, Raab told *Nation's Business*. "People are nervous," he says, "and sales of franchise units have been affected by the economic downturn."

Franchise prospects need to avoid industries that have been oversold and are experiencing flat sales or reduced growth rates," he says. According to Raab, three conditions can lead to stagnant growth for a franchise:

- Good territories are sold out, which means franchisees are relegated to secondary or tertiary markets.
- Changing consumer tastes alter the marketplace at a pace the franchisor cannot meet.
- Fierce competition results in diminished profit margins for the franchisee.

So what kind of business should you look for? According to Raab, any franchised business that capitalizes on the following economic, demographic, and lifestyle trends is a good bet.

"Companies whose businesses fit into these categories are more likely to be successful in franchising in the coming years," Raab says.

Demographics. The so-called baby boomers are more than a wave, says Raab, they are a tidal wave. Businesses that cater to them as they move through life will have an enormous advantage in the marketplace. Many baby boomers now have young children, and companies that offer products and services aimed at child care are well positioned for growth.

Upscale retailers. Businesses specifically located and targeted for serving the affluent will continue to grow.

New aftermarkets. The "aftermarket" of franchised businesses serving consumers' automotive needs is successful and growing. (See "Bumper-To-Bumper Auto Care" in the October issue of *Nation's Business*.) Businesses that can develop new aftermarkets will find plenty of customers.

Business-to-business services. Companies that help other owners in their day-to-day business operations will

thrive. Accounting service firms, printers, desktop publishers, and mail and packaging businesses fall into this category.

Home-based and mobile businesses. More and more franchises are designed to be run from the home or out of a mobile van. The advantages are clear-cut: No retail space is required, which reduces overhead, and most such businesses can be run as part-time enterprises, which can be attractive for families with children.

Products promoting health and well-being. Many Americans are concerned about health and weight, and there is no end in sight to the fitness trend, says Raab. Customers will continue to patronize weight-loss and fitness centers and other businesses that promote good health.

Light or new foods. Many companies are growing by offering new kinds of foods or new versions of standbys with reduced calories and lower fat content. Grilled chicken and turkey entrees are turning up at most fast-food franchises, and ethnic foods such as Mexican and Chinese continue to grow in popularity.

Industries not yet franchised. Franchising has always been ideal for companies whose industries are not well-organized or have not yet been franchised. Most of the largest franchised companies were the first to franchise in their industries. Check-cashing businesses, health-care enterprises, and advertising agencies are recent examples of businesses that are entering franchising.

Niche players. In the face of a difficult retail climate, companies that offer a specialty product or service—and can educate the customer about it—will succeed with the cautious consumer, says Raab.

Do-it-yourself enterprises. Businesses offering customers do-it-yourself ways to save some money will thrive. Unfinished-furniture stores, for example, offer consumers a practical—and cost-conscious—alternative to purchasing finished home furnishings.

Low cost/low inventory. Inexpensive franchises—and those that have little if any inventory expense—will continue to be attractive to entrepreneurs with limited financial resources.

Even though caution continues to reign in most business circles, Raab believes that opportunities remain significant for the individual interested in business ownership. "The companies and individuals who find ways to take proper advantage of the existing opportunities will be the new success stories for the 1990s," he says. NB

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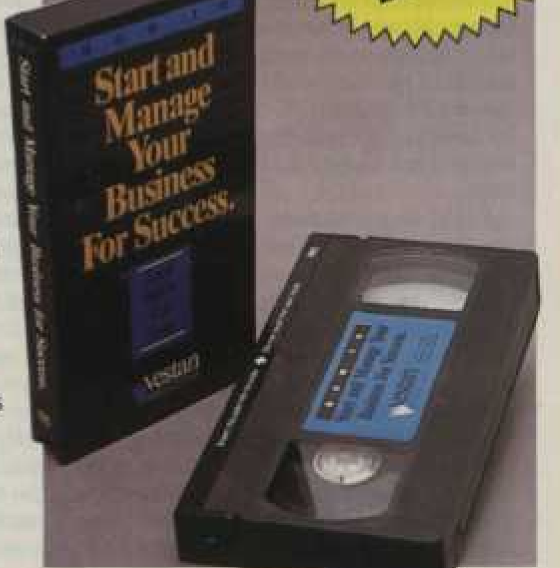

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Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

BUSINESS SERVICES

By The Book

Where can I get information on starting a bookkeeping service for small businesses?
T.H.E., Chino Hills, Calif.

Marlyn Schwartz, director of education for the National Society of Public Accountants, recommends that you be thoroughly trained in the field and that your clients understand how to collect all the information you need to do your job.

Schwartz adds that a bookkeeping service can be a good business to operate from home. Although bookkeepers may visit their clients' businesses to gather data, she says, the actual recording of the figures and report production may be done from home.

For further information, you can write to Schwartz at the National Society of Public Accountants, 1010 N. Fairfax St., Alexandria, Va. 22314.

ILLUSTRATIONS: DAVE ALLEN

Whereabouts

I need the addresses of two franchises—Headquarters Companies and InterOffice.
J.E.Q., Bemidji, Minn.

Both companies lease office space to executives. Headquarters Companies is at 745 Fifth Ave., 15th Floor, New York, N.Y. 10151; (212) 308-6338. InterOffice Management, Inc., is at 11350 Random Hills Road, Suite 800, Fairfax, Va. 22030; (703) 848-9292.

RETAILING

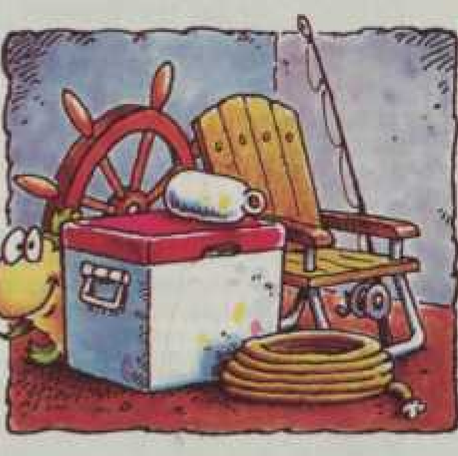
From Stem To Stern

I need information on starting a retail marine-supply business.
T.M., Seattle

For information on locating wholesalers of marine accessories and hardware, contact the National Marine Distributors Association at 1810 South Rittenhouse Square, Suite 411, Philadelphia, Pa. 19103; (215) 735-3303.

Information on manufacturers and distributors of marine equipment is available from the Marine Retailers Association of America at 150 E. Huron St., Suite 802, Chicago, Ill. 60611-2912; (312) 944-5080.

Two monthly magazines on products



and trends in the marine industry could be helpful. *Boating Industry Magazine*, published by Communication Channels, costs $30, payable by check or major credit card. Call 1-800-241-9834 for more information. *Boat & Motor Dealer*, from Van Zevern Publications, is $20 per year, payable by check or credit card. To order, call (708) 982-1810.

HARDWARE SUPPLIES

A Touch Of Brass

I have recently gone into the furniture-restoration business and need information on obtaining brass hardware and brass lighting fixtures.
M.S., Louisville, Ky.

A list of manufacturers of brass hardware is available for $33 (check, money order, or major credit card) from the Door and Hardware Institute, 14170 Newbrook Drive, Chantilly, Va. 22021-2223.

James Nicol, managing director of the American Lighting Association, suggests two sources of brass lighting fixtures. One is Sidney Medoff, president of Metropolitan Lighting Fixture Co. He can be reached at 315 E. 62nd St., New York, N.Y. 10021; (212) 838-2425.

The other possible source of information is Ronald Morrison, president of West Coast Tri-Lite Manufacturing, at 19780 Pacific Gateway Drive, Torrance, Calif. 90502; (213) 327-3100.

Nicol also invites you to contact him for more information at the American Lighting Association, 435 N. Michigan Ave., Suite 1717, Chicago, Ill. 60611-4067; (312) 644-0828.

SOFTWARE

For Managing Numbers

I own and operate a discount retail linen store. I need an accounting software package that is economical, can pay suppliers directly through an accounts-payable feature, and has the ability to add point-of-sale inventory control features later on.
S.D.E., Berlin, Md.

A number of good software packages are available. The computer experts at *Nation's Business* suggest you look for one that offers automatic credit-card verification; bar-code compatibility; and inventory tracking by size, color, and style. The program should also be able to produce daily close-out reports.

One program the magazine's experts have tried and liked is The MicroBiz Retail Controller Series, $695, from MicroBiz, 500 Airport Executive Park, Spring Valley, N.Y. 10977; 1-800-637-8268.

Another favorably reviewed package is BusinessVision II Turbo. It has a fully integrated on-line accounting and business-management system, which handles accounts payable, accounts receivable, general ledger information, payroll, inventory control, order entry and invoicing, point-of-sale billing, and sales analysis. It is $1,295, from BusinessVision Management Systems, Fourth Floor, Citicorp Plaza, 8410 West Bryn Mawr Ave., Chicago, Ill. 60631; (312) 380-1221.

Also, check computer stores for other products that could meet your needs.

FARMING

Strawberry Fields

I am interested in raising strawberries and need any information you can supply me.
C.A.R., Tulsa, Okla.

The United Fresh Fruit and Vegetable Association operates an information center that can direct you to the appropriate sources for the help you need. Sources vary according to the size of the farm you intend to start.

There is no charge for general information on where to write or call for help. If you need extensive research, however, it will cost $60 per hour.

Write or call Laura Kinkle, manager of information and research, at the United Fresh Fruit and Vegetable Association, 727 N. Washington St., Alexandria, Va. 22314; (703) 836-3410.

SUPPLIERS

Searching Religiously

I need help locating suppliers of Christian religious articles.
S.T., Chicago

The Christian Booksellers Association's directory of more than 900 suppliers of religious articles also lists individual items and firms that supply them. The directory is $76.95 (check or major credit card) from the Christian Booksellers Association, Box 200, Colorado Springs, Colo. 80901; (719) 576-7880.

SPECIAL SERVICES

When Left Is Right

I am interested in starting a business that caters to left-handed people. Are there any sources or information available to help me?
J.C.P., Yonkers, N.Y.

There are more than 30 million left-handed people in this country, according to Lefthanders International, an informational clearinghouse and wholesaler of products for left-handers.

Suzan Ireland, managing editor of the organization's publication, *Lefthander Magazine*, says the best-selling items designed for left-handers are scissors and school supplies—rulers marked from right to left, spiral notebooks (spiral on the right), nonsmear pens and pencils, and calculators.

Ireland (who is left-handed) says there are about 30 stores for left-handers in the U.S. She recommends that you be well-versed in the skills necessary to run a small business. "Too many times, people see a left-handed business as a neat idea," she says, "but they haven't a clue about the basics of running a small business."

The organization offers "The Lefty Business Startup System," a kit that Ireland says can help you decide if such a business is for you. The kit contains articles, audio tapes, and a book on the basics of starting and running a small business.

It costs $54.95 and is available through the association's catalog.

For more information on the organization and a copy of its catalog, write to Ireland at Lefthanders International, P.O. Box 8249, Topeka, Kan. 66608.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have developed *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently. The booklet is now available for $5.95 a copy (plus $1 for handling). To order, send a check or money order to the Circulation Department at the address above.

THIS MONTH'S MOST-ASKED QUESTION

Flexing Employees' Time

B.J.L. of Columbus, Ohio, writes: "We are a nonprofit company with fewer than 30 employees. We would like to start a flextime program for our employees, but we need some guidelines."

Questions like this are appearing with greater frequency in our Direct Line mailbox. Clearly, small-business owners are considering flexible working hours as an inducement to recruit workers and retain valued employees.

The Society for Human Resource Management, a clearinghouse on workplace-management issues, in Alexandria, Va., defines flextime— also known as flexitime or flex—as an alternative work-time pattern that enables employees to vary their arrival and departure times.

The federal government offers flextime to employees under a 1978 law. Says Michael Orenstein, a spokesman for the U.S. Office of Personnel Management: "The biggest benefit for management is that flexitime allows for office coverage during a greater period of time during the day." Flextime was adopted, he says, for purposes such as easing rush-hour traffic and enabling parents to be at home with children before or after school.

Typically, under a flextime arrangement, employees may start their workday at 7, 8, or 9 a.m. and end it at 3:30, 4:30, or 5:30 p.m., respectively, depending on workplace requirements.

When organizing a flextime program, Orenstein says, an employer's first challenge is to make sure there are enough employees present to handle the work flow and that meetings are scheduled so that all necessary people can attend.

Orenstein suggests that you announce the program and describe it fully to all employees in a memo, designate a contact person, and inform clients so there won't be any surprises.

The Society for Human Resource Management recently conducted a study on flex programs. For more information, contact the organization at 606 N. Washington St., Alexandria, Va. 22314; (703) 548-3440.

Catalyst, a national organization that researches women's career issues, offers a 1990 study, *Flexible Work Arrangements: Establishing Options for Managers and Professionals*. It describes flex plans in 17 companies and how to set up such programs. To obtain the 101-page, $120 study, send a purchase order and a check to the publications department at Catalyst, 250 Park Avenue South, 5th Floor, New York, N.Y. 10003-1459. For more information, call (212) 777-8900.

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia J. Pear

Can You Be Allergic To The 20th Century?

Although the substances *commonly found in offices are harmless to most people, they may trigger reactions that scientists are debating.*

When the Environmental Protection Agency refurbished its Washington, D.C., offices three years ago, 126 of its 2,000 workers complained of headaches, congestion, and burning, watery eyes. Those symptoms spelled lost productivity, higher medical costs, and increased absenteeism.

Results of an investigation suggested that, ironically, the EPA employees' symptoms may have been caused by fumes from some of the very products used in renovating their workplace to make it more comfortable.

Some physicians, known as clinical ecologists, say reactions like those of the EPA workers can indicate more than an individual's sensitivity to particular substances.

They believe that many people who fall ill when they are exposed to chemical fumes and the like are in fact suffering from a widespread malady known variously as environmental illness (EI), multiple chemical sensitivity (MCS), and—because of the modern multiplicity of chemical substances—20th century disease.

But is environmental illness a valid medical condition?

Believers in EI, such as Dr. Sherry Rogers of Syracuse, N.Y., see the disease at work in many systemic ailments. Rogers, director of the Northeast Center for Environmental Medicine, has written four books on the subject; the latest is *Tired or Toxic—A Blueprint for Health* (Prestige Publishers). Her center, which she founded in 1984, has a staff of 20 and has treated several thousand patients.

Many other physicians, however, maintain that what clinical ecologists label environmental illness is merely a collection of symptoms with disparate causes.

Dr. Abba Terr, an allergist affiliated with Stanford University Medical Center in Palo Alto, Calif., is one of EI's most outspoken skeptics. He argues that "there is no convincing evidence for any immunologic abnormality in any of these cases. Multiple chemical hypersensitivities constitute a belief and not a disease."

No one doubts that people can become ill from substances in their environment. In 1979, a report issued by the U.S. surgeon general stated: "There is virtually no major chronic disease to which environmental factors do not contribute, directly or indirectly." The Board on Environmental Studies and Toxicology of the National Research Council, the research arm of the National Academy of Sciences (NAS), estimates that 15 percent of the American population suffers from hypersensitivity to chemicals found in common household products and home and office environments.

At issue is whether such hypersensitivity is one aspect of a more comprehensive illness that leaves the body vulnerable to a host of substances that are harmless to most people.

Clinical ecologists who support the EI concept say it works this way: Chemical sensitivity relates to the brain, which is a partly lipid material. (Lipids are among the body's basic building blocks, along with proteins and carbohydrates.) Chemicals are all lipid-soluble, which allows their ready penetration from the air to the lungs to the bloodstream to the brain, commonly resulting in headaches, dizziness, mood swings, and depression. Other parts of the body can be affected, too, leading to asthma, sinusitis, burning eyes and throat, and arthritis. Other symptoms can include fatigue, food allergies, and gastrointestinal distress.

According to Rogers, someone suffering from EI can begin to feel ill a few hours after exposure to an offending substance, or, at the other extreme, EI can build for decades before manifesting itself as cancer. She says that EI's effects are often compounded by hidden nutritional deficiencies, which weaken the body's ability to detoxify chemicals.

What makes a diagnosis of EI difficult—and lends weight to Terr's skepticism—is that, as Rogers admits, "not everybody gets EI, symptoms vary enormously, and people recover differently." All of those qualifiers applied to the outbreak of EI—or what may have been EI—at the Environmental Protection Agency, for example.

To help resolve the uncertainty, Terr and Dr. William J. Rea, a Dallas cardiovascular and thoracic surgeon, are preparing to conduct a joint study on chemical sensitivity for the National Academy of Sciences. The study awaits funding from Congress.

Rea founded the Environmental Health Center in 1974. The co-author (with architectural designer David Rousseau) of *Your Home, Your Health and Well-Being* (Hartley & Marks), Rea has helped to modify or construct more than 17,000 public buildings and private residences to limit exposure to potentially troublesome substances.

He recommends, among other things, that employers make sure offices are adequately ventilated and equipment that might be a source of contamination is kept in separate, well-ventilated areas. NB

Marcia J. Pear is a writer specializing in health issues and principal of Pear Communications, a San Francisco marketing communications firm.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

CHARITABLE DONATIONS

Here's A Gift That Keeps On Giving—To You

With the charitable-giving season upon us, you might be considering a substantial gift to your alma mater, a religious organization, or a medical foundation.

If you play your cards right, you can help your chosen cause, become eligible for valuable tax breaks, and receive some additional income for life. "Have your donation put into a pooled income fund managed by the charity," says Magdalen Gaynor, an estate-planning attorney in White Plains, N.Y. You get a tax break when you give the money to the charity, and you get income from the charity's fund (usually through a securities portfolio) for life. When you die, your initial investment goes into the charity's coffers.

"If you donate appreciated securities, or other such property," says Joseph C. Schreiber II, fund-raiser for Claremont McKenna College, in Claremont, Calif., "it could be a good way to avoid paying tax on the capital gains."

The charity can keep your securities or, more likely, sell them and put the money into the investment fund. For tax purposes, you are credited for some of the donation's current value as if there were no capital gain.

However, you might face a tax liability based on the alternative minimum tax rules, so it's wise to check with your tax specialist before making any gift. Also have your estate-planning attorney review the whole process with you.

The size of the charitable deduction you get when you make your donation depends on your age and the charitable fund's performance. The older you are when you make the gift, the more of a deduction you get; the greater the fund's payout, the smaller your deduction. ■

INVESTMENTS

Investment Newsletters: How To Spot The Winners

PHOTO: ©JEFF ZARUBA-FOLIO, INC.

Perhaps you've seen advertisements for investment newsletters boasting they can pick winners for you. The trouble is finding out which can and which can't.

"Some letters may look good for a while," says Mark Hulbert, publisher of *The Hulbert Financial Digest*, "but then they go into a downturn." Obviously, they tout past winners, not the losers.

"You should never believe the hype these people put out," says Steven Halpern, publisher of the *Dick Davis Digest*, "and you should never buy a subscription based on advertising claims." Halpern says you should shop around and look at as many as possible.

This is not so easy. At last count, there were nearly 1,000 newsletters. Some aim at your gambling instincts by concentrating on short-term plays and may even come with telephone-advice privileges.

Others, perhaps the majority, emphasize buying good stocks for the longer haul. The latest rage is the letter that rates mutual funds' performance.

One way to cut through all the hype and narrow down the huge list of letters is to subscribe to a digest or sampling service.

Hulbert's digest tracks 130 or so letters that he thinks have the best records; you get their current market comments and their model portfolio selections. For a five-month trial subscription for $37.50, or for one free copy, write to *The Hulbert Financial Digest*, 316 Commerce St., Alexandria, Va. 22314.

The *Dick Davis Digest* synopsizes some 400 letters. You can get one copy free or a six-issue trial subscription for $29 from *Dick Davis Digest*, P.O. Box 9547, Fort Lauderdale, Fla. 33310-9547.

George Wien, who runs the Select Information Exchange, offers a free catalog that lists prices and descriptions of more than 600 newsletters. For $11.95, you can choose 20 trial subscriptions (three to five issues) to any of the listed letters. If you subscribe to any letters, you can get some of your $11.95 back as a credit. For more information, write to Select Information Exchange, 244 W. 54th St., New York, N.Y. 10019. ■

Tax-Deferred Money Funds

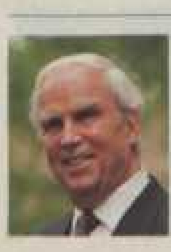
You've already heard about money-market funds invested entirely in short-term U.S. government securities that are not taxed by most states and localities (It's Your Money, September). Now there's another type of government-securities money-market fund that can provide additional tax breaks by retaining dividends instead of paying them out daily.

"Retaining dividends causes the share prices to increase in value, providing a capital gain instead of constant, current income," says John Chandler, a spokesman for the Permanent Portfolio Family of Funds, in Austin, Texas.

You are taxed on the capital gain only when you take money out. You can defer the tax bite by leaving some or all of your cash in the fund. This speeds up the compounding of interest, because there is little or no tax to hold it back.

"This can be an interesting investment," says Sheldon Jacobs, publisher of the *No-Load Fund Investor* newsletter, "especially if you have some losses in the market that can offset your money-fund capital gains." In effect, Jacobs says, you can reap capital gains from your money fund virtually tax-free.

If you plan to take a certain percentage of money out of your fund every year, you can get a larger payment than you would from an ordinary money-market fund because some of it is a return of capital and not a capital gain. ■



Peter Weaver is a Washington-based columnist on personal finance.

EDUCATION

Off-Campus Landlords Can Cut College Costs

By purchasing an off-campus house with at least four bedrooms, you can significantly reduce your son's or daughter's overall college costs.

It's not for everyone, but if you are willing to spend some time researching the real-estate market in your chosen campus area, you could emerge thousands of dollars ahead after four years.

"Your initial goal is to get enough monthly rent to offset what you pay out for the mortgage and utilities," says Gary Parker, a certified public accountant with the firm of Robbins Spielman Slayton and Halfon, in New York.

Your son or daughter lives in one of the four bedrooms, and the remaining three rooms are rented to carefully selected students.

If possible, you should get their parents to co-sign the leases.

During the four or more years of study, your student will be getting his or her room free, which can make a big dent in your annual costs.

You can get a current tax deduction each year from depreciation of the property and the expenses of doing business as a landlord.

At graduation, you may well be able to sell your rental property at a profit, which, in turn, may pay off the bulk of your college loans.

There may be some restrictions on the size of the tax deductions you can take, depending on your tax situation. For example, you may be subject to the alternative minimum tax. If you decide to look into the possibilities of saving money through an off-campus rental property, it's crucial that you consult a tax specialist.

Buying off-campus *housing can mean savings for parents of college students.*

PHOTO: ©JERRY MESMER—FOLIO,INC

HOLIDAY SHOPPING

What To Look For When Buying A Fur

Mink is by far the most popular fur—and for good reason.

"Mink is very flattering," says Sandy Blye, executive vice president of American Fur Industry, a New York-based trade association, "because it's lightweight, warm, and not bulky. Women don't want to look heavier when they're wearing a fur coat."

But there are other furs that are also lightweight, warm, durable, and not bulky—and that cost a lot less than mink.

"The most important factor in buying a fur," says Blye, "is to go for the top quality in your price range. For example, you're far better off with a top-quality sheared beaver than you are with an inferior mink product."

The silkier the fur, the better the quality. Female pelts are usually softer and more lustrous.

When you shop for a fur, Blye advises, compare coats up and down from your price range to get a sense of differences in quality. If $5,000 is your limit, look at coats priced at about $3,000 and $7,000.

"Some mink coats these days are advertised as bargains with prices under $2,000," Blye says, "but there are no bargains in this business—you get what you pay for."

The lower-tagged furs come from low-labor-cost countries such as Hong Kong, Korea, and Greece. The prices are good, but the quality of the fur and the workmanship may not be so good.

"Buying a fur is just half the battle," Blye adds. "You have to give it the proper care or it won't last very long."

By proper care, she means having it cleaned and stored over the summer months or when you don't plan to wear it for a while. "It's a minimal investment," Blye says, "with a maximum payoff."

More Luster And Color Make For Better Pearls

"When you're buying pearls," says Alena Berenblatt, an editor with *National Jeweler* magazine, in New York, "it's the luster and orient that count."

The luster comes from the nacre, a substance that builds up around a tiny bead inserted in an oyster to produce cultured pearls. The longer the pearl stays in the oyster, the greater the nacre buildup and the better the luster.

"The orient," says Berenblatt, "is that rainbow-like color effect you see in the better pearls."

To get an idea of the various grades of pearl necklaces, she says, you should have several laid out on a jeweler's cloth to compare. "You can see," she says, "that some strands have more luster than others, and some may have a more pleasing color."

The colors range from creamy white through rosy, greenish, and yellow hues. Berenblatt recommends choosing a color that complements the wearer's skin. "Rosy is better for blonds," she says, "and creamy white is better for a darker-skinned person."

Freshwater pearls are usually less expensive and can give you a good-looking necklace that is quite different from the saltwater variety. These pearls have an odd, rice-kernel shape and come in a variety of colors.

Buying Gold Jewelry: Karats And Quality

When you're buying a bracelet, pin, ring, or other item made of gold, look for the karat mark and the manufacturer's hallmark that must go with it as a quality guarantee.

"If the piece is stamped 14 karats or higher," says spokesman Michael Roman of Jewelers of America, a New York-based trade association, "it must have the manufacturer's hallmark stamped alongside."

Without this visible guarantee, you could be getting lower-quality gold.

One karat is one part out of a possible 24 in pure gold. So, 14 karats would mean 14 parts out of 24, and so on. Pure gold is rarely used for jewelry because it is too soft. It must be hardened by alloys to give it the necessary durability.

Gold that has 14 karats is probably better for rings or bracelets, which tend to get banged around. Gold with an 18-karat stamp is probably better for pins and necklaces that are more protected and worn less often.

"To be sure that you're getting an accurate karat count," Roman says, "always deal with a long-standing, reputable jeweler." Beware of "big discount" offers. You might be getting some foreign-made product that has fewer karats than are claimed. NB

For Your Tax File

How to keep taxes from overtaxing you.

By Albert B. Ellentuck

GIFTS AND TRUSTS

How To Be Generous With Your Children

Those who make gifts to their children face a dilemma: whether to make the gifts outright or in trust.

An outright gift is the simplest approach. However, the recipients may be minors, or the donor may think it unwise to make outright gifts without strings attached. As a result, many donors put their gifts in trust for their children until they are older, say 30 or 35. But the use of a trust raises some tax problems.

A gift of a "present interest" of up to \$10,000 (\$20,000 if the spouse joins in) is exempt from gift tax under the annual gift tax exclusion. The "present interest" category includes outright gifts as well as certain special types of trusts that distribute income annually and end at age 21.

In addition to the annual exclusion of \$10,000/\$20,000 for each donee, gifts in the form of medical and educational expenses of the donee paid directly by the grantor also will qualify for the annual exclusion.

But if a trust is to accumulate income for any purpose, including a child's college education, the annual exclusion may not apply. Any trust that accumulates income or does not end at age 21 is not a "present interest." Thus, any such gift may be subject to a gift tax.

Estate planners have developed a device called a "Crummey" trust, which does allow the donor to get the annual exclusion for gifts to trusts that accumulate income and continue after the child turns 21. Under a Crummey trust, named after a case involving a gift in trust by a man named Crummey, the beneficiaries are given the right to withdraw the full amount of the gift put in the trust for them for a period of time, say 45 days. As a practical matter, this right is rarely exercised. However, if the recipients are given such a right, the grantors are treated as if they did make a gift of a "present interest," and therefore the annual exclusion applies to the gifts. This is true even though the children may be minors and have no appointed guardians.

Gifts to a child *for education costs are excluded from the gift tax.*

For example, a husband and wife might place \$60,000 in a "Crummey" trust for the benefit of their three children. The trust accumulates income until each child reaches the age of 30, at which time all income and principal would be distributed to the children. Because the trust has a "Crummey" withdrawal power, there would be an annual exclusion of \$20,000 for each child, assuming the spouse joins in the gift. Therefore, the total gift would be free of gift tax.

A recent Tax Court case expanded this approach. In that case, two adult children were to share equally in the income from the trust for their lives, with a contingent remainder to five grandchildren should they survive their parents. A right of withdrawal was given to the grandchildren as well as the children. The grantor, who was not married, claimed seven annual gift-tax exclusions for a total of \$70,000. Since the grandchildren and the children possessed a legal right of withdrawal, the court allowed the exclusions for the grandchildren as well.

It is too soon to know whether this case will be upheld and whether the Internal Revenue Service will oppose the result in other courts, but it is an interesting technique to consider when the annual gifts to be made will exceed the annual exclusion allowable for the lifetime beneficiaries. ■

DEDUCTIONS

Art, For The IRS's Sake, Should Not Be Overvalued

Taxpayers risk stiff penalties in an overly aggressive approach to deductions, one art donor discovered.

The case arose from a tax-law provision allowing a deduction for the fair market value of an artwork donated to charity. (For more on the provision, see For Your Tax File, July.) If the artwork is donated before Dec. 31, 1991, there is no tax on the gain—the excess of the item's fair market value over its cost.

An appraisal generally can establish that value, and some donors shop around to find the highest appraisal. However, a recent Tax Court decision showed the risk of using an inflated appraisal.

The taxpayer had acquired a rock sculpture and had produced brochures publicizing it. He built a structure in Hollywood to house and display it, and he had bronze replicas of it made—some for sale, others to be used as gifts. Then he donated the sculpture to a university, obtained an appraisal of \$500,000 for the piece, and claimed that amount as a deduction.

The IRS challenged the deduction.

The court said the appraisal was substantially inflated and was based on erroneous information furnished to the appraiser.

The court instead accepted the \$30,000 appraisal rendered by a government witness.

The judge held the donor liable for penalties for negligence and for overstating the value of the donation. The deduction was disallowed, and the donor had to pay back the taxes that had been saved as a result of the inflated appraisal. He also had to pay interest and penalties that amounted to more than the taxes.

Taxpayers may take aggressive positions based on legitimate appraisals. This was not such a situation, however.

When in doubt, consult with a tax specialist. NB

Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

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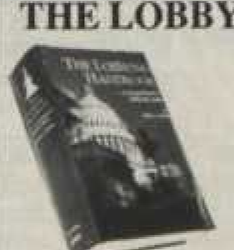

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3. Protecting their jobs

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Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Chance To Save On Health Care

Two broad and very different approaches to health-care reform are gaining recognition in Congress.

One involves new government mandates and regulations and would address the nation's health-care problems with complex and expensive legislation.

The second approach involves incremental changes in the system and would focus primarily on containing costs. Proponents of this approach say policymakers should focus their efforts on this more manageable concept rather than try to solve all the health-care system's problems simultaneously.

As part of this incremental approach, the U.S. Chamber of Commerce is advocating modernization of the health-care system's administrative operations, including computerization of medical records. The Chamber believes significant savings could be realized by using new information technologies to reduce paperwork and regulatory costs.

Although remarkable technological advances have been achieved in diagnostics, administrative progress in health care lags years behind. Most clinical information remains embedded in fragmented, paper-based, often illegible, and sometimes irretrievable patient records. In May 1991, an article in the *New England Journal of Medicine* estimated that up to $100 billion was unnecessarily trapped in an outmoded, paper-based administrative health-care system.

A computerized medical-records system could allow more-effective delivery of care to patients, while increasing the ability of providers and payors to monitor and improve the quality, appropriateness, and efficiency of care.

Urge your representative and senators to support efforts to modernize the health-care system's information technology, which could reduce the cost of health care for all.

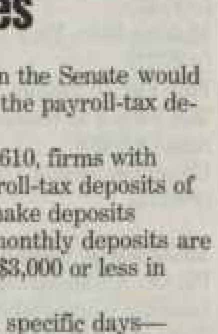
A Push To Simplify Payroll Taxes

Legislation pending in the Senate would significantly simplify the payroll-tax deposit system.

Under the bill, S. 1610, firms with average monthly payroll-tax deposits of $6,000 or less could make deposits monthly. Currently, monthly deposits are limited to firms with $3,000 or less in deposits per month.

Also under the bill, specific days—Tuesdays and Fridays—would be designated for tax payments by employers with total monthly taxes between $6,001 and $99,999. Currently, such employers are required to make deposits eight times a month, but the due dates for the deposits change each month.

The U.S. Chamber of Commerce says that many businesses find determining the correct due date of eight monthly deposits to be unnecessarily complex. The resulting confusion frequently leads to disputes with the Internal Revenue Service.



The bill would not affect the present requirement for next-day deposits by employers with average monthly tax payments of $100,000 or more.

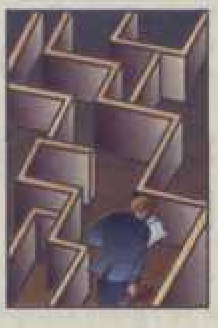
According to the Chamber, the Senate tax-simplification bill would go a long way toward simplifying and improving the payroll-tax deposit process.

Yet S. 1610, introduced by Sen. Max Baucus, D-Mont., is not perfect. It would reduce to 2 percent the current 5 percent leeway employers are allowed in determining their withholding liability on a next-day basis.

The U.S. Chamber opposes any attempt to reduce the 5 percent leeway.

Contact your senators and urge them to support the tax-simplification provisions of S. 1610 but to retain the present 5 percent payroll-tax leeway for employers. Tell them the current payroll-tax system is overly complex and burdensome, particularly for small firms.

Problems With Local Pesticide Laws



A move is under way on Capitol Hill to clarify the federal pesticide law so that it clearly pre-empts local pesticide regulations.

Such clarification was suggested by the Supreme Court when it ruled in June that the federal pesticide law does not clearly include such pre-emption.

The decision directly affected farmers, florists, health-care providers, pest-control operators, lawn-care specialists, and other professionals who depend on safe, effective products covered by pesticide laws.

It provides more than 80,000 local jurisdictions with the legal authority to regulate pesticide use.

In reaction to the Supreme Court's ruling, several dozen local governments across the country have already banned, or are considering banning, pest-control products that the U.S. Environmental Protection Agency has determined to be safe.

Before the decision, the safe use of pesticide products covered by pesticide laws—including even some common household cleansers and disinfectants—had long been the sole jurisdiction of state and federal governments.

The U.S. Chamber of Commerce believes that a partnership of federal and state governments, vested with the authority to make and enforce pesticide-use regulations, and allowing for input from local governments, is in business's and the public's best interest.

The Chamber believes that local governments lack the scientific and technical expertise necessary to make complex regulatory decisions and thus are easy targets for anti-business activists.

Write your representative and senators, and urge them to support legislation to restore the federal/state pesticides partnership and to prevent local governments from regulating pest-control products. NB

Editorial

The Powell Memorandum: As Valid On Its 20th Anniversary As It Will Be On Its 100th

Justice Powell

Business and the enterprise system are in deep trouble, and the hour is late.

That warning was sounded in 1971 in what is now recognized as one of the most significant business documents of our time—The Powell Memorandum.

It was issued against a background of the violence that swept the nation in the 1960s and into the early '70s.

U.S. involvement in the Vietnam War was the ostensible target of the protesters, but capitalism was high on their list of enemies.

Those street protests, often involving damage to individual businesses, were only a part of the protest culture. Its anti-business attitudes were echoed in forums far removed from the violence and anarchy of demonstrations—the college classroom, the major media, the pulpit, and the political platform. The common denominator was a call for ever-increasing government restrictions on the marketplace.

Surveying that scene, a Richmond, Va., attorney named Lewis F. Powell Jr. realized that the fundamental issue was the survival of the enterprise system. He accepted an invitation from the U.S. Chamber of Commerce to record his views and recommendations for countering the anti-business movement growing in volume and influence.

The resulting Powell Memorandum spotlighted the problem: "What now concerns us is quite new in the history of America. We are not dealing with sporadic or isolated attacks from a relatively few extremists or even from the minority socialist cadre. Rather, the assault on the enterprise system is broadly based and consistently pursued. It is gaining momentum and converts."

Powell cited the message that a noted radical, warmly received on campuses, was giving students: "You must learn to fight in the streets, to revolt, to shoot guns. We will learn to do all of the things that property owners fear."

And a news account: Branches of the Bank of America had been attacked 22 times with explosives and 17 times with fire bombs or other arson devices over 15 months.

Powell stated: "Although New Leftist spokesmen are succeeding in radicalizing thousands of the young, the greater cause for concern is the hostility of respectable liberals and social reformers. It is the sum total of their views and influence which could indeed fatally weaken or destroy the system."

In the face of that concern, he asked: "What has been the response of business to this massive assault upon its fundamental economics, upon its philosophy, upon its right to continue to manage its own affairs, and indeed upon its integrity?"

His answer was a stinging indictment: "The painfully sad truth is that business, including the boards of directors and the top executives of corporations great and small and business organizations at all levels, often have responded—if at all—by appeasement, ineptitude, and ignoring the problem."

Calling on business to meet the threat, Powell said: "The overriding first need is for businessmen to recognize that the ultimate issue may be *survival*—survival of what we call the free-enterprise system, and all that this means for the strength and prosperity of America and the freedom of our people."

He set forth a battle plan under which business would counterattack on several fronts—in politics, in the courts, and in the media. "It is time for American business—which has demonstrated the greatest capacity in all history to produce and to influence consumer decisions—to apply their great talents vigorously to the preservation of the system itself."

His warning was heeded. The U.S. Chamber of Commerce carried the fight to the grass roots via an aggressive communications program, to the courts, and to the political arena, achieving victory after victory for the enterprise system.

The Chamber's determination to preserve economic freedom along with personal freedom was a major factor in bringing about the conservative era launched with the election of Ronald Reagan in 1980.

Later in 1971, Lewis Powell was named to the U.S. Supreme Court. He served with distinction until his retirement in 1987.

PHOTOS: ©DENNIS BRACK—BLACK STAR

The U.S. enterprise system *was often a target of 1960s and '70s protest movements ostensibly aimed at the Vietnam War.*

The violent protests of the 1960s and 1970s have long since been stilled. But many of the dangers of which Powell warned remain, albeit in more subtle or modified forms.

Demands for more-repressive government controls over business, for confiscatory taxation, and for socialist schemes persist in many of the same quarters.

That's why The Powell Memorandum remains current. Its basic tenet is immutable: "The threat to the enterprise system is not merely a matter of economics. It also is a threat to individual freedom."

That point will be as valid on the 100th anniversary of the memorandum as it is on this 20th anniversary. NB

Free-Spirited Enterprise

By Janet L. Willen

An All-American Game

Even couch potatoes can now play the World Series with the pros.

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ALLSTAR Dream Weeks are held at Baseball City, Fla., near Orlando. The $4,495 price tag includes participation in daily practice sessions and games, coaching, a uniform, personalized baseball cards, and a videotape of the week's action. Accommodations for eight days and seven nights, and breakfast and lunch daily are also included.

Dream Weeks are licensed by Major League Baseball Properties, of New York. The first program is Nov. 10-17.

Dream Weeks also offers week-long tennis and football programs.

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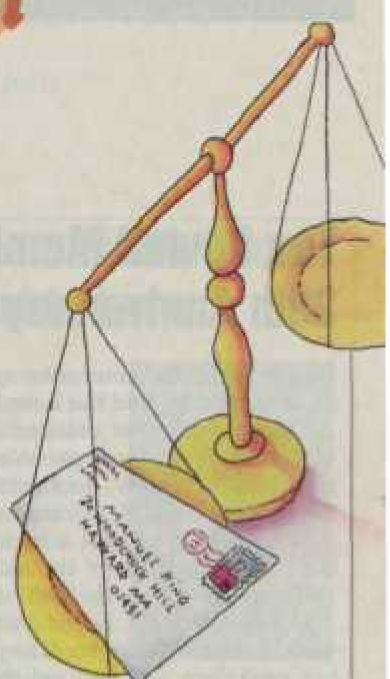
Employees respond to recorded statements by pushing buttons that signify agree, disagree, or don't know/no opinion. Employees may also give their opinions.

Stanard says this format is effective with employees who work off-site and with those with reading difficulties.

Stanard issues a written report on each survey.



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The Write Stuff

Grammar Moses, a newsletter that started as a one-time promotional piece, is now a quarterly publication with a growing subscription list. Subtitled "A Persnickety guide to grammar and usage," the publication of **PHI Public Relations,** in East Greenwich, R.I., invites readers to submit their pet peeves.

Laura Nelson, senior account executive and newsletter editor, says **Grammar Moses** received dozens of peeves in response to its first request. Some that made it into print: the misuses of "affect" and "effect," "less" and "fewer," and "eager" and "anxious," as well as the redundant phrase "new product introduction."